

IMMUNOGEN INC  
Form 4  
November 10, 2011

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**SKALETSKY MARK B**

(Last) (First) (Middle)  
  
22 PURITAN ROAD  
  
(Street)

NEWTON, MA 02461

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
**IMMUNOGEN INC [IMGN]**

3. Date of Earliest Transaction  
(Month/Day/Year)  
11/08/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Code V	Amount	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)
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Derivative Security			(A) or Disposed of (D) (Instr. 3, 4, and 5)		Date Exercisable	Expiration Date	Title	Amount or Number of Shares
			Code	V				
Deferred Share Unit	\$ 0 <sup>(1)</sup>	11/08/2011	A	2,286	02/01/2012 <sup>(3)(2)</sup>	<sup>(2)</sup>	Common Stock <sup>(2)</sup>	2,286
Stock option (right to buy)	\$ 13.12	11/08/2011	A	3,865	02/01/2012 <sup>(4)</sup>	11/08/2021	Common Stock	3,865

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SKALETSKY MARK B 22 PURITAN ROAD NEWTON, MA 02461		X		

## Signatures

/s/ Craig Barrows, attorney in fact  
 11/10/2011  
 \*\*Signature of Reporting Person                      Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
  - \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The deferred share units were issued pursuant to the Issuer's Compensation Policy for Non-Employee Directors and are convertible into Common Stock on a one-to-one basis.
  - (2) The vested deferred share units are to be settled 100% in shares of Common Stock of the Company upon the reporting person's retirement from the Board of Directors.
  - (3) The deferred share units vest ratably over a one year period in quarterly increments beginning on February 1, 2012, contingent upon the individual remaining a director as of each vesting date.
  - (4) Exercisable as to 967 shares commencing on February 1, 2012, 966 shares commencing on May 1, 2012, 966 shares commencing on August 1, 2012 and 966 shares commencing on November 1, 2012, contingent upon the individual remaining a director as of each vesting date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. Roman">General Electric Capital Corporation and consolidated affiliates

### Statement of Financial Position

	<b>2005</b>	<b>2004</b>
	<b>(Restated)</b>	<b>(Restated)</b>

At December 31 (In millions, except share amounts)

**Assets**

Cash and equivalents	\$ 6,182	\$ 8,433
Investment securities (note 5)	29,463	32,868
Inventories	159	189
Financing receivables - net (notes 6 and 7)	284,567	279,588
Other receivables	25,685	21,215
Buildings and equipment - net (note 8)	50,936	46,250
Intangible assets - net (note 9)	23,182	22,996
Other assets (note 10)	52,104	51,397
Assets of discontinued operations (note 2)	2,981	104,048
Total assets	\$ 475,259	\$ 566,984

**Liabilities and equity**

Borrowings (note 11)	\$ 355,885	\$ 348,685
Accounts payable	14,435	14,138
Investment contracts, insurance liabilities and insurance annuity benefits (note 12)	24,429	25,835
Other liabilities	16,935	18,073
Deferred income taxes (note 13)	11,173	10,566
Liabilities of and minority interest in discontinued operations (note 2)	-	93,324
Total liabilities	422,857	510,621

Minority interest in equity of consolidated affiliates (note 14)	2,212	2,325
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Variable cumulative preferred stock, \$100 par value, liquidation preference

\$100,000 per share (33,000 shares authorized; 700 shares issued and outstanding at December 31, 2005 and 26,000 shares issued and outstanding at December 31, 2004)	-	3
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Common stock, \$14 par value (4,166,000 shares authorized at December 31, 2005 and 2004, and 3,985,403 shares issued and outstanding at December 31, 2005 and 2004)	56	56
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Accumulated gains (losses) - net		
Investment securities	744	974
Currency translation adjustments	2,343	4,844
Cash flow hedges	(367)	(448)
Minimum pension liabilities	(147)	(124)
Additional paid-in capital	12,055	14,539
Retained earnings	35,506	34,194
Total shareowner's equity (note 15)	50,190	54,038
Total liabilities and equity	\$ 475,259	\$ 566,984

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," as shown in note 15, and was \$2,573 million and \$5,246 million at December 31, 2005 and 2004, respectively.

The notes to consolidated financial statements are an integral part of this statement.

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**General Electric Capital Corporation and consolidated affiliates**  
**Statement of Cash Flows**

<i>For the years ended December 31 (In millions)</i>	<b>2005</b> <b>(Restated)<sup>(a)</sup></b>	<b>2004</b> <b>(Restated)<sup>(a)</sup></b>	<b>2003</b> <b>(Restated)<sup>(a)</sup></b>
<b>Cash flows - operating activities</b>			
Net earnings	\$ 9,926	\$ 8,590	\$ 7,445
Earnings from discontinued operations	(928)	(442)	(1,396)
Adjustments to reconcile net earnings to cash provided from operating activities			
Cumulative effect of accounting change	-	-	339
Depreciation and amortization of buildings and equipment	5,983	5,755	4,529
Deferred income taxes	(746)	332	1,173
Decrease (increase) in inventories	30	(9)	(35)
Increase (decrease) in accounts payable	(1,071)	2,258	1,963
Increase (decrease) in insurance liabilities	848	1,293	(1,186)
Provision for losses on financing receivables	3,864	3,868	3,612
All other operating activities (note 16)	1,025	(1,249)	11
Cash from operating activities - continuing operations	18,931	20,396	16,455
Cash from operating activities - discontinued operations	3,283	5,139	5,595
<b>Cash from operating activities</b>	<b>22,214</b>	<b>25,535</b>	<b>22,050</b>
<b>Cash flows - investing activities</b>			
Additions to buildings and equipment	(11,208)	(10,304)	(7,251)
Dispositions of buildings and equipment	5,519	5,488	4,619
Net increase in financing receivables (note 16)	(17,156)	(14,952)	(4,736)
Payments for principal businesses purchased	(7,167)	(13,888)	(10,482)
All other investing activities (note 16)	8,119	5,767	3,781
Cash used for investing activities - continuing operations	(21,893)	(27,889)	(14,069)
Cash used for investing activities - discontinued operations	(4,987)	(7,558)	(4,596)
<b>Cash used for investing activities</b>	<b>(26,880)</b>	<b>(35,447)</b>	<b>(18,665)</b>
<b>Cash flows - financing activities</b>			
Net increase (decrease) in borrowings (maturities of 90 days or less)	(5,086)	130	(12,972)
Newly issued debt (maturities longer than 90 days) (note 16)	65,868	58,628	60,012
Repayments and other reductions (maturities longer than 90 days) (note 16)	(48,840)	(45,115)	(43,128)
Dividends paid to shareowner	(8,614)	(3,148)	(4,472)
All other financing activities (note 16)	(2,617)	(2,864)	593
Cash from financing activities - continuing operations	711	7,631	33
Cash from (used for) financing activities - discontinued operations	297	2,402	(682)
<b>Cash from (used for) financing activities</b>	<b>1,008</b>	<b>10,033</b>	<b>(649)</b>
<b>Increase (decrease) in cash and equivalents during year</b>	<b>(3,658)</b>	<b>121</b>	<b>2,736</b>
Cash and equivalents at beginning of year	9,840	9,719	6,983
Cash and equivalents at end of year	6,182	9,840	9,719
Less cash and equivalents of discontinued operations at end of year	-	1,407	1,424

Explanation of Responses:



## General Electric Capital Corporation and consolidated affiliates

### Notes to Consolidated Financial Statements

#### Note 1. Summary of Significant Accounting Policies

##### 2007 Restatement

On January 19, 2007, we amended General Electric Capital Corporation (GECC) Annual Report on Form 10-K for the year ended December 31, 2005, to amend and restate financial statements and other financial information for the years 2005, 2004, and 2003, and financial information for the years 2002 and 2001, and for each of the quarters in the years 2005 and 2004. The restatement adjusts our accounting for interest rate swap transactions related to a portion of the commercial paper issued by GECC, and General Electric Capital Services, Inc. (GECS), from January 1, 2001, the date we adopted Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial. This adjustment affects disclosure in the following footnotes: 10, 11, 13, 15, 16, 17, 18, and 21.

##### Background

As previously disclosed, the Boston Office of the U.S. Securities and Exchange Commission (SEC) is conducting a formal investigation of our application of SFAS 133. In the course of that investigation, the SEC Enforcement staff raised certain concerns about our accounting for the use of interest rate swaps to fix certain otherwise variable interest costs in a portion of our commercial paper program at GECC and GECS. The SEC Enforcement staff referred such concerns to the Office of Chief Accountant. We and our auditors determined that our accounting for the commercial paper hedging program satisfied the requirements of SFAS 133 and conveyed our views to the staff of the Office of Chief Accountant. Following our discussions, however, the Office of Chief Accountant communicated its view to us that our commercial paper hedging program as structured did not meet the SFAS 133 specificity requirement.

After considering the staff's view, General Electric Company (GE) and GECC management recommended to the Audit Committee of GE's Board of Directors that previously reported financial results be restated to eliminate hedge accounting for the interest rate swaps entered into as part of our commercial paper hedging program from January 1, 2001. The Audit Committee discussed and agreed with this recommendation. At a meeting on January 18, 2007, the GE and GECC Board of Directors adopted the recommendation of the Audit Committee and determined that previously reported results for GECC should be restated and, therefore, that the previously filed financial statements and other financial information referred to above should not be relied upon. The restatement resulted from a material weakness in internal control over financial reporting, namely, that we did not have adequately designed procedures to designate, with the specificity required under SFAS 133, each hedged commercial paper transaction.

The SEC investigation into our application of SFAS 133 and hedge accounting is continuing. We continue to cooperate fully.

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Effects of the restatement by line item follow:

For the years ended December 31 (In millions)

	2005		2004		2003	
	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated
<b>Statement of Earnings</b>						
Commercial paper interest rate swap adjustment <sup>(a)</sup>	\$ -	\$ 495	\$ -	\$ 496	\$ -	\$ 518
Interest	14,094	14,040	10,960	10,910	9,741	9,733
Earnings from continuing operations before income taxes and accounting change	9,606	10,155	9,228	9,774	7,173	7,699
Provision for income taxes (note 13)	(940)	(1,157)	(1,410)	(1,626)	(1,103)	(1,311)
Earnings from continuing operations before accounting change	8,666	8,998	7,818	8,148	6,070	6,388
Earnings before accounting change	9,594	9,926	8,260	8,590	7,466	7,784
Net earnings	9,594	9,926	8,260	8,590	7,127	7,445

(a) Included in total revenues.

For the years ended December 31 (In millions)

	2005		2004		2003	
	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated
<b>Statement of Changes in Shareowner's Equity</b>						
Balance at January 1	\$ 53,958	\$ 54,038	\$ 46,692	\$ 46,722	\$ 40,126	\$ 40,019
Increase attributable to net earnings	9,594	9,926	8,260	8,590	7,127	7,445
Cash flow hedges - net	491	81	203	(77)	247	66
Balance at December 31	50,188	50,190	53,958	54,038	46,692	46,722

At December 31 (In millions)

	2005		2004	
	As previously reported	As restated	As previously reported	As restated
<b>Statement of Financial Position</b>				

Explanation of Responses:



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Other assets	\$ 52,118	\$ 52,104	\$ 51,298	\$ 51,397
Total assets	475,273	475,259	566,885	566,984
Deferred income taxes (note 13)	11,189	11,173	10,547	10,566
Total liabilities	422,873	422,857	510,602	510,621
Cash flow hedges	(790)	(367)	(1,281)	(448)
Retained earnings	35,927	35,506	34,947	34,194
Total shareowner's equity (note 16)	50,188	50,190	53,958	54,038
Total liabilities and equity	475,273	475,259	566,885	566,984

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## 2005

<i>Quarterly Information (unaudited) (In millions)</i>	First quarter		Second quarter		Third quarter		Fourth quarter	
	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated
<b>Statement of Earnings</b>								
Commercial paper interest rate swap adjustment <sup>(a)</sup>	\$ -	\$ 327	\$ -	\$ (208)	\$ -	\$ 240	\$ -	\$ 136
Interest	3,366	3,352	3,554	3,541	3,481	3,467	3,693	3,680
Earnings from continuing operations before income taxes and accounting change	1,986	2,327	2,218	2,023	2,767	3,021	2,635	2,784
Provision for income taxes	(156)	(291)	(184)	(107)	(370)	(470)	(230)	(289)
Earnings from continuing operations before accounting change	1,830	2,036	2,034	1,916	2,397	2,551	2,405	2,495
Earnings before accounting change	2,077	2,283	2,123	2,005	2,750	2,904	2,644	2,734
Net earnings	2,077	2,283	2,123	2,005	2,750	2,904	2,644	2,734

(a) Included in total revenues.

## 2004

<i>Quarterly Information (unaudited) (In millions)</i>	First quarter		Second quarter		Third quarter		Fourth quarter	
	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated
<b>Statement of Earnings</b>								
Commercial paper interest rate swap adjustment <sup>(a)</sup>	\$ -	\$ (205)	\$ -	\$ 897	\$ -	\$ (347)	\$ -	\$ 151
Interest	2,566	2,555	2,721	2,710	2,609	2,594	3,064	3,051
Earnings from continuing operations before income taxes and accounting change	1,917	1,723	1,727	2,635	2,634	2,302	2,950	3,114
	(375)	(298)	(231)	(590)	(528)	(397)	(276)	(341)

Explanation of Responses:

Provision for income taxes								
Earnings from continuing operations before accounting change	1,542	1,425	1,496	2,045	2,106	1,905	2,674	2,773
Earnings before accounting change	1,780	1,663	1,401	1,950	2,270	2,069	2,809	2,908
Net earnings	1,780	1,663	1,401	1,950	2,270	2,069	2,809	2,908

(a) Included in total revenues.

<i>Quarterly Information (unaudited) (In millions)</i>	2005							
	First quarter		Second quarter		Third quarter		Fourth quarter	
	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated
<b>Statement of Financial Position</b>								
Other assets	\$ 50,713	\$ 50,701	\$ 52,762	\$ 52,692	\$ 50,030	\$ 50,110	\$ 52,118	\$ 52,104
Total assets	568,865	568,853	563,567	563,497	468,790	468,870	475,273	475,259
Deferred income taxes	10,198	10,180	10,691	10,648	10,996	11,014	11,189	11,173
Total liabilities	510,538	510,520	506,627	506,584	414,120	414,138	422,873	422,857
Cash flow hedges	(863)	(310)	(960)	(322)	(908)	(335)	(790)	(367)
Retained earnings	36,785	36,238	37,274	36,609	36,331	35,820	35,927	35,506
Total shareowner's equity	56,048	56,054	54,649	54,622	52,336	52,398	50,188	50,190
Total liabilities and equity	568,865	568,853	563,567	563,497	468,790	468,870	475,273	475,259

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## 2004

<i>Quarterly Information (unaudited) (In millions)</i>	First quarter		Second quarter		Third quarter		Fourth quarter	
	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated
<b>Statement of Financial Position</b>								
Other assets	\$ 43,104	\$ 43,180	\$ 43,921	\$ 43,971	\$ 46,215	\$ 46,234	\$ 51,298	\$ 51,397
Total assets	516,838	516,914	519,026	519,076	524,975	524,994	566,885	566,984
Deferred income taxes	10,024	10,023	10,349	10,352	10,783	10,769	10,547	10,566
Total liabilities	464,023	464,022	469,187	469,190	473,394	473,380	510,602	510,621
Cash flow hedges	(1,475)	(198)	(959)	(261)	(1,206)	(321)	(1,281)	(448)
Retained earnings	31,224	30,024	31,155	30,504	33,192	32,340	34,947	34,194
Total shareowner's equity	49,809	49,886	47,062	47,109	49,247	49,280	53,958	54,038
Total liabilities and equity	516,838	516,914	519,026	519,076	524,975	524,994	566,885	566,984

**Accounting principles**

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP).

**Consolidation**

All of our outstanding common stock is owned by General Electric Capital Services, Inc. (GE Capital Services or GECS), all of whose common stock is owned, directly or indirectly, by General Electric Company (GE Company or GE). Our financial statements consolidate all of our affiliates - companies that we control and in which we hold a majority voting interest. Associated companies are companies that we do not control but over which we have significant influence, most often because we hold a shareholder voting position of 20% to 50%. Results of associated companies are presented on a one-line basis. Investments in and advances to associated companies are presented on a one-line basis in the caption "Other assets" in our Statement of Financial Position, net of allowance for losses that represents our best estimate of probable losses inherent in such assets.

Because of new accounting requirements that became effective in 2004 and 2003, we consolidated certain non-affiliates, including certain special purpose entities (SPEs) and investments previously considered associated companies, in each of those years.

**Financial statement presentation**

We have reclassified certain prior-year amounts to conform to the current year's presentation.

### **Operating Segments**

These comprise our four businesses focused on the broad markets they serve: GE Commercial Finance, GE Consumer Finance, GE Industrial and GE Infrastructure. For segment reporting purposes, certain financial services businesses are included in the industrial operating segments that actively manage such businesses and report their results for internal performance measurement purposes. These include Aviation Financial Services, Energy Financial Services and Transportation Finance reported in the GE Infrastructure segment, and Equipment Services reported in the GE Industrial segment.

Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in shareowner's equity. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period.

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Effects of transactions between related companies are eliminated. As a wholly-owned subsidiary, GECC enters into various operating and financing arrangements with GE. These arrangements are on terms that are commercially reasonable but are related party transactions and therefore require the following disclosures. At December 31, 2005 and 2004, Financing receivables included \$3,904 million and \$3,505 million, respectively, of receivables from GE customers. Other receivables included \$3,716 million and \$3,159 million, respectively, of receivables from GE. Buildings and equipment included \$1,637 million and \$1,866 million, respectively, of buildings and equipment leased to GE, net of accumulated depreciation. Borrowings included \$1,448 million and \$1,104 million, respectively, of amounts held by GE.

Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates.

### **Sales of goods**

We record sales of goods when a firm sales agreement is in place, delivery has occurred and collectibility of the fixed or determinable sales price is reasonably assured. If customer acceptance of products is not assured, we record sales only upon formal customer acceptance.

### **Revenues from services (earned income)**

We use the interest method to recognize income on all loans. Interest on loans includes origination, commitment and other non-refundable fees related to funding (recorded in earned income on the interest method). We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due. We recognize interest income on nonearning loans either as cash is collected or on a cost-recovery basis as conditions warrant. We resume accruing interest on nonearning, non-restructured commercial loans only when (a) payments are brought current according to the loan's original terms and (b) future payments are reasonably assured. When we agree to restructured terms with the borrower, we resume accruing interest only when reasonably assured that we will recover full contractual payments, and such loans pass underwriting reviews equivalent to those applied to new loans. We resume accruing interest on nonearning consumer loans when the customer's account is less than 90 days past due.

We record financing lease income on the interest method to produce a level yield on funds not yet recovered. Estimated unguaranteed residual values at the date of lease inception represent our initial estimates of the fair value of the leased assets at the expiration of the lease and are based primarily on independent appraisals, which are updated periodically. Guarantees of residual values by unrelated third parties are considered part of minimum lease payments. Significant assumptions we use in estimating residual values include estimated net cash flows over the remaining lease term, results of future remarketing, and future component part and scrap metal prices, discounted at an appropriate rate.

We recognize operating lease income on a straight-line basis over the terms of underlying leases.

Fees include commitment fees related to loans that we do not expect to fund and line-of-credit fees. We record these fees in earned income on a straight-line basis over the period to which they relate. We record syndication fees in earned income at the time related services are performed, unless significant contingencies exist.

See the Investment securities and Investment contracts, insurance liabilities and insurance annuity benefits sections of this note for a description of accounting policies for these activities.

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## **Depreciation and amortization**

The cost of our equipment leased to others on operating leases is amortized on a straight-line basis to estimated residual value over the lease term or over the estimated economic life of the equipment. See note 8.

## **Losses on financing receivables**

Our allowance for losses on financing receivables represents our best estimate of probable losses inherent in the portfolio. Our method of calculating estimated losses depends on the size, type and risk characteristics of the related receivables. Write-offs are deducted from the allowance for losses and subsequent recoveries are added. Impaired financing receivables are written down to the extent that we judge principal to be uncollectible.

Our portfolio consists entirely of homogenous consumer loans and of commercial loans and leases. The underlying assumptions, estimates and assessments we use to provide for losses are continually updated to reflect our view of current conditions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Our consumer loan portfolio consists of smaller balance, homogenous loans including card receivables, installment loans, auto loans and leases and residential mortgages. We collectively evaluate each portfolio for impairment. The allowance for losses on these receivables is established through a process that estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with other analyses that reflect current trends and conditions. We also consider overall portfolio indicators including nonearning loans, trends in loan volume and lending terms, credit policies and other observable environmental factors.

During 2004, GE Consumer Finance adopted a global policy for uncollectible receivables that accelerated write-offs to follow one consistent basis. We write off unsecured closed-end installment loans at 120 days contractually past due and unsecured open-ended revolving loans at 180 days contractually past due. We write down loans secured by collateral other than real estate to the fair value of the collateral, less costs to sell, when such loans are 120 days past due. Consumer loans secured by residential real estate (both revolving and closed-end loans) are written down to the fair value of collateral, less costs to sell, no later than when they become 360 days past due. Unsecured loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within contractual write-off periods, whichever occurs earlier.

Our commercial loan and lease portfolio consists of a variety of loans and leases, including both larger balance, non-homogenous loans and leases and smaller balance homogenous commercial and equipment loans and leases. Losses on such loans and leases are recorded when probable and estimable. We routinely survey our entire portfolio for potential specific credit or collection issues that might indicate an impairment. For larger balance, non-homogenous loans and leases, this survey first considers the financial status, payment history, collateral value, industry conditions and guarantor support related to specific customers. Any delinquencies or bankruptcies are indications of potential impairment requiring further assessment of collectibility. We routinely receive financial, as well as rating agency reports, on our customers, and we elevate for further attention those customers whose operations we judge to be marginal or deteriorating. We also elevate customers for further attention when we observe a decline in collateral values for asset-based loans. While collateral values are not always available, when we observe such a decline, we evaluate relevant markets to assess recovery alternatives - for example, for real estate loans, relevant markets are local; for aircraft loans, relevant markets are global. We provide allowances based on our evaluation of all available information, including expected future cash flows, fair value of collateral, net of disposal costs, and the secondary market value of the financing receivables. After providing for specific incurred losses, we then determine an allowance for losses that have been incurred in the balance of the portfolio but cannot yet be



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identified to a specific loan or lease. This estimate is based on historical and projected default rates and loss severity, and it is prepared by each respective line of business.

Experience is not available with new products; therefore, while we are developing that experience, we set loss allowances based on our experience with the most closely analogous products in our portfolio.

When we repossess collateral in satisfaction of a loan, we write down the receivable against the allowance for losses. Repossessed collateral is included in Other assets in the Statement of Financial Position and carried at the lower of cost or estimated fair value less costs to sell.

The remainder of our commercial loans and leases are portfolios of smaller balance homogenous commercial and equipment positions that we evaluate collectively for impairment based upon various statistical analyses considering historical losses and aging.

### **Sales of stock by affiliates**

We record gains or losses on sales by an affiliate of its own shares as revenue unless realization of gains is not reasonably assured, in which case we record the results in shareowner's equity.

### **Cash and equivalents**

Debt securities with original maturities of three months or less are included in cash equivalents unless designated as available-for-sale and classified as investment securities.

### **Investment securities**

We report investments in debt and marketable equity securities, and equity securities in our insurance portfolio, at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. Unrealized gains and losses on available-for-sale investment securities are included in shareowner's equity, net of applicable taxes and other adjustments. We regularly review investment securities for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to maturity or until forecasted recovery and the financial health of and specific prospects for the issuer. Unrealized losses that are other than temporary are recognized in earnings. For investment securities designated as trading, unrealized gains and losses are recognized currently in earnings. Realized gains and losses are accounted for on the specific identification method.

### **Inventories**

All inventories are stated at the lower of cost or realizable values. Our inventories consist of finished products held for sale, and cost is determined on a first-in, first-out basis.

### **Intangible assets**

We do not amortize goodwill, but test it annually for impairment using a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit's goodwill exceeds its fair value. We use discounted cash flows to establish fair values. When available and as appropriate, we use comparative market

multiples to corroborate discounted cash flow results. When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value method.

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We amortize the cost of other intangibles over their estimated useful lives. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values.

### **Investment contracts, insurance liabilities and insurance annuity benefits**

Certain SPEs, which we consolidate, provide guaranteed investment contracts to states, municipalities and municipal authorities.

Our insurance activities also include providing insurance and reinsurance for life and health risks and providing certain annuity products. Two product groups are provided: traditional insurance contracts and investment contracts. Insurance contracts are contracts with significant mortality and/or morbidity risks, while investment contracts are contracts without such risks.

For short-duration insurance contracts, including accident and health insurance, we report premiums as earned income over the terms of the related agreements, generally on a pro-rata basis. For traditional long-duration insurance contracts including term, whole life and annuities payable for the life of the annuitant, we report premiums as earned income when due.

Premiums received on investment contracts (including annuities without significant mortality risk) are not reported as revenues but rather as deposit liabilities. We recognize revenues for charges and assessments on these contracts, mostly for mortality, contract initiation, administration and surrender. Amounts credited to policyholder accounts are charged to expense.

Liabilities for traditional long-duration insurance contracts represent the present value of such benefits less the present value of future net premiums based on mortality, morbidity, interest and other assumptions at the time the policies were issued or acquired. Liabilities for investment contracts equal the account value, that is, the amount that accrues to the benefit of the contract or policyholder including credited interest and assessments through the financial statement date.

Liabilities for unpaid claims and claims adjustment expenses represent our best estimate of the ultimate obligations for reported and incurred-but-not-reported claims and the related estimated claim settlement expenses. Liabilities for unpaid claims and claims adjustment expenses are continually reviewed and adjusted through current operations.

### **Accounting change**

On July 1, 2003, we adopted FIN 46, *Consolidation of Variable Interest Entities*, and, on January 1, 2004, the related subsequent amendment (FIN 46R). Consequently, in 2003 we recorded a \$339 million after-tax charge related to the first-time consolidation of certain SPEs, reported in the caption "Cumulative effect of accounting change." There was no earnings effect arising from our adoption of FIN 46R. Additional information about entities consolidated under these rules is provided in note 19.

### **Note 2. Discontinued Operations**

#### **Sale of Genworth**

In May 2004, we completed the initial public offering of Genworth Financial Inc. (Genworth), our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. During 2005, we reduced our ownership in Genworth to 18% through further sales of stock in three

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secondary public offerings. Our remaining available-for-sale investment in Genworth common stock is included in assets of discontinued operations, and results of future sales will be reported in discontinued operations.

### Discontinued operations

At December 31, 2005, Genworth was classified as discontinued operations and its results of operations, financial position and cash flows are separately reported for all periods presented. Summarized financial information for discontinued operations is set forth below. Gain (loss) on disposal included actual effects of the Genworth sale.

<i>(In millions)</i>	<b>2005</b>	<b>Genworth 2004</b>	<b>2003</b>
<b>Discontinued Operations Before Disposal</b>			
Revenues from services	\$ 7,906	\$ 10,145	\$ 11,765
Earnings from discontinued operations before minority interest and income taxes	\$ 1,387	\$ 1,543	\$ 2,038
Minority interest	394	200	2
Earnings from discontinued operations before income taxes	993	1,343	2,036
Income tax expense	(617)	(565)	(640)
Earnings from discontinued operations before disposal, net of taxes	\$ 376	\$ 778	\$ 1,396
<b>Disposal</b>			
Gain (loss) on disposal before income taxes	\$ 932	\$ (570)	\$ -
Income tax benefit (expense)	(380)	234	-
Gain (loss) on disposal, net of taxes	\$ 552	\$ (336)	\$ -
Earnings from discontinued operations, net of taxes	\$ 928	\$ 442	\$ 1,396

<i>December 31 (In millions)</i>	<b>2005</b>	<b>Genworth 2004</b>
Cash and equivalents	\$ -	\$ 1,407
Investment securities	2,981	54,064
Other receivables	-	27,936
Other	-	20,641
Assets of discontinued operations	\$ 2,981	\$ 104,048
Investment contracts, insurance liabilities and insurance annuity benefits	\$ -	\$ 78,055
Other	-	11,489
Minority interest	-	3,780
Liabilities of and minority interest in discontinued operations	\$ -	\$ 93,324

Accumulated gains - net			
Investment securities	\$	465	\$ 707
Currency translation adjustments		-	332
Cash flow hedges		-	191
Total accumulated nonowner changes other than earnings	\$	465	\$ 1,230

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**Note 3. Revenues from Services**

<i>(In millions)</i>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Interest on loans	\$ 19,895	\$ 17,114	\$ 15,357
Operating lease rentals	11,476	10,654	7,123
Investment income	2,623	1,698	1,313
Fees	4,049	3,284	2,436
Financing leases	3,894	4,069	4,117
Premiums earned by insurance activities	1,063	589	2,268
Other income	9,987	9,845	6,763
Total <sup>(a)</sup>	\$ 52,987	\$ 47,253	\$ 39,377

(a) Included \$1,290 million, \$945 million and \$865 million from consolidated, liquidating securitization entities in 2005, 2004 and 2003, respectively. Of these amounts, \$634 million in 2005 related to Australian Financial Investments Group (AFIG), a December 2004 acquisition.

**Note 4. Operating and Administrative Expenses**

Our employees and retirees are covered under a number of pension, health and life insurance plans. The principal pension plans are the GE Pension Plan, a defined benefit plan for U.S. employees and the GE Supplementary Pension Plan, an unfunded plan providing supplementary benefits to higher-level, longer-service U.S. employees. Employees of certain affiliates are covered under separate pension plans which are not significant individually or in the aggregate. We provide health and life insurance benefits to certain of our retired employees, principally through GE Company's benefit program. The annual cost to us of providing these benefits is not material.

Rental expense under operating leases is shown below.

<i>(In millions)</i>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Equipment for sublease	\$ 385	\$ 383	\$ 338
Other rental expense	606	542	487

At December 31, 2005, minimum rental commitments under noncancelable operating leases aggregated \$4,000 million. Amounts payable over the next five years follow.

*(In millions)*

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$ 771	\$ 672	\$ 576	\$ 515	\$ 384

**Note 5. Investment Securities**

<i>December 31 (In millions)</i>	<b>Estimated fair value</b>	
	<b>2005</b>	<b>2004</b>

Explanation of Responses:



Available-for-sale securities	\$	21,321	\$	24,531
Trading securities		8,142		8,337
Total	\$	29,463	\$	32,868

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**Available-for-sale securities**

<i>December 31 (In millions)</i>	<b>Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Gross unrealized losses</b>	<b>Estimated fair value</b>
<b>2005</b>				
Debt:				
U.S. corporate	\$ 5,751	\$ 46	\$ (118)	\$ 5,679
State and municipal	611	34	(2)	643
Mortgage-backed <sup>(a)</sup>	3,557	17	(17)	3,557
Asset-backed	6,540	120	(7)	6,653
Corporate - non-U.S.	2,879	198	(2)	3,075
Government - non-U.S.	279	1	-	280
U.S. government and federal agency	45	1	-	46
Equity	1,219	201	(32)	1,388
Total available-for-sale securities	\$ 20,881	\$ 618	\$ (178)	\$ 21,321 <sup>(b)</sup>
<b>2004</b>				
Debt:				
U.S. corporate	\$ 7,190	\$ 103	\$ (294)	\$ 6,999
State and municipal	582	41	-	623
Mortgage-backed <sup>(a)</sup>	3,553	20	(10)	3,563
Asset-backed	6,019	185	(39)	6,165
Corporate - non-U.S.	2,852	141	(6)	2,987
Government - non-U.S.	950	37	-	987
U.S. government and federal agency	39	1	-	40
Equity	2,901	280	(14)	3,167
Total available-for-sale securities	\$ 24,086	\$ 808	\$ (363)	\$ 24,531 <sup>(b)</sup>

(a) Substantially collateralized by U.S. residential mortgages.

(b) Included \$16 million in 2005 and \$684 million in 2004 of debt securities related to consolidated, liquidating securitization entities. See note 19.

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The following tables present the gross unrealized losses and estimated fair values of our available-for-sale investment securities.

<i>December 31 (In millions)</i>	<b>Less than 12 months</b>		<b>12 months or more</b>	
	<b>Estimated fair value</b>	<b>Gross unrealized losses</b>	<b>Estimated fair value</b>	<b>Gross unrealized losses</b>
<b>2005</b>				
Debt:				
U.S. corporate	\$ 797	\$ (12)	\$ 1,769	\$ (106)
State and municipal	77	(2)	-	-
Mortgage-backed	844	(2)	699	(15)
Asset-backed	1,029	(1)	166	(6)
Corporate - non-U.S.	83	(1)	26	(1)
Equity	76	(24)	29	(8)
Total	\$ 2,906	\$ (42)	\$ 2,689	\$ (136)
<b>2004</b>				
Debt:				
U.S. corporate	\$ 1,393	\$ (34)	\$ 1,220	\$ (260)
Mortgage-backed	1,619	(7)	134	(3)
Asset-backed	1,079	(9)	420	(30)
Corporate - non-U.S.	2,373	(1)	164	(5)
Equity	134	(13)	30	(1)
Total	\$ 6,598	\$ (64)	\$ 1,968	\$ (299)

Securities in an unrealized loss position for 12 months or more at December 31, 2005 and 2004, included investment securities collateralized by commercial aircraft, primarily Enhanced Equipment Trust Certificates, with unrealized losses of \$94 million and \$254 million, respectively, and estimated fair values of \$1,165 million and \$782 million, respectively. We review all of our investment securities routinely for other than temporary impairment as described in note 1. In accordance with that policy, we have provided for all amounts that we did not expect either to collect in accordance with the contractual terms of the instruments or to recover based on underlying collateral values. For our securities collateralized by commercial aircraft, that review included our best estimates of the securities' cash flows and underlying collateral values, and assessment of whether the borrower was in compliance with terms and conditions. We believe that these securities, which are current on all payment terms, were trading at a discount to market value since the respective stated interest rates on the securities were below what was perceived as a market rate based on the ongoing negative market reaction to difficulties in the commercial airline industry. We do not anticipate changes in the timing and amount of estimated cash flows and we expect full recovery of our amortized cost. Should our cash flow expectation prove to be incorrect, the current appraised market values of associated collateral exceeded both the market value and the amortized cost of our related securities at December 31, 2005.

We presently intend to hold our investment securities in an unrealized loss position at December 31, 2005, at least until we can recover their respective amortized cost. We have the ability to hold our debt securities until their maturities.

**Contractual Maturities of our Investment in Available-for-Sale Debt Securities (Excluding Mortgage-Backed and Asset-Backed Securities)**

<i>(In millions)</i>	<b>Amortized cost</b>	<b>Estimated fair value</b>
Due in		
2006	\$ 2,031	\$ 2,013
2007-2010	2,818	2,803
2011-2015	1,826	1,815
2016 and later	2,890	3,092

We expect actual maturities to differ from contractual maturities because borrowers have the right to call or prepay certain obligations.

Supplemental information about gross realized gains and losses on available-for-sale investment securities follows.

<i>(In millions)</i>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Gains	\$ 251	\$ 346	\$ 497
Losses, including impairments	(61)	(174)	(304)
Net	\$ 190	\$ 172	\$ 193

Proceeds from available-for-sale investment securities sales amounted to \$9,028 million, \$8,003 million and \$9,158 million in 2005, 2004 and 2003, respectively.

**Trading securities**

Gains and losses on trading securities are for the benefit of certain non-U.S. insurance contractholders. In 2005 and 2004, we recognized net pre-tax gains on such securities of \$863 million and \$284 million, respectively, and recognized corresponding insurance losses of \$860 million and \$280 million, respectively, reflecting the contractholders participation in the actual returns generated by these investments.

**Note 6. Financing Receivables (investments in loans and financing leases)**

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Loans, net of deferred income	\$ 226,113	\$ 218,837
Investment in financing leases, net of deferred income	63,024	66,340
	289,137	285,177
Less allowance for losses (note 7)	(4,570)	(5,589)
Financing receivables - net	\$ 284,567	\$ 279,588

Included in the above are the financing receivables of consolidated, liquidating securitization entities as follows:

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Explanation of Responses:



<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Loans, net of deferred income	\$ 15,868	\$ 20,728
Investment in financing leases, net of deferred income	769	2,125
	16,637	22,853
Less allowance for losses	(22)	(5)
Financing receivables - net	\$ 16,615	\$ 22,848

Details of financing receivables - net follow.

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
<b>GE Commercial Finance</b>		
Equipment and leasing	\$ 68,374	\$ 61,821
Commercial and industrial	40,955	39,251
Real estate	19,555	20,470
	128,884	121,542
<b>GE Consumer Finance</b>		
Non-U.S. residential mortgages	46,205	42,201
Non-U.S. installment and revolving credit	31,849	33,889
Non-U.S. auto	22,803	23,517
U.S. installment and revolving credit	21,963	21,385
Other	7,286	6,771
	130,106	127,763
<b>GE Infrastructure<sup>(a)(b)</sup></b>	18,953	20,770
<b>Other<sup>(c)</sup></b>	11,194	15,102
	289,137	285,177
Less allowance for losses	(4,570)	(5,589)
Total	\$ 284,567	\$ 279,588

(a) Included loans and financing leases of \$11,192 million and \$13,562 million at December 31, 2005 and 2004, respectively, related to commercial aircraft at Aviation Financial Services and loans and financing leases of \$5,341 million and \$4,538 million at December 31, 2005 and 2004, respectively, related to Energy Financial Services.

(b) Included only portions of the segment that are financial services businesses.

(c) Included loans and financing leases of \$10,160 million and \$13,759 million at December 31, 2005 and 2004, respectively, related to certain consolidated, liquidating securitization entities.

Financing receivables include both loans and financing leases. Loans represent transactions in a variety of forms, including revolving charge and credit, mortgages, installment loans, intermediate-term loans and revolving loans

Explanation of Responses:

secured by business assets. The portfolio includes loans carried at the principal amount on which finance charges are billed periodically, and loans carried at gross book value, which includes finance charges.

Investment in financing leases consists of direct financing and leveraged leases of aircraft, railroad rolling stock, autos, other transportation equipment, data processing equipment, medical equipment, commercial real estate and other manufacturing, power generation, and commercial equipment and facilities.

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As the sole owner of assets under direct financing leases and as the equity participant in leveraged leases, we are taxed on total lease payments received and are entitled to tax deductions based on the cost of leased assets and tax deductions for interest paid to third-party participants. We are generally entitled to any residual value of leased assets.

Investment in direct financing and leveraged leases represents net unpaid rentals and estimated unguaranteed residual values of leased equipment, less related deferred income. We have no general obligation for principal and interest on notes and other instruments representing third-party participation related to leveraged leases; such notes and other instruments have not been included in liabilities but have been offset against the related rentals receivable. Our share of rentals receivable on leveraged leases is subordinate to the share of other participants who also have security interests in the leased equipment.

### Net Investment in Financing Leases

<i>December 31 (In millions)</i>	<b>Total financing leases</b>		<b>Direct financing leases<sup>(a)</sup></b>		<b>Leveraged leases<sup>(b)</sup></b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Total minimum lease payments receivable	\$ 85,404	\$ 90,790	\$ 59,983	\$ 63,128	\$ 25,421	\$ 27,662
Less principal and interest on third-party nonrecourse debt	(18,723)	(20,644)	-	-	(18,723)	(20,644)
Net rentals receivable	66,681	70,146	59,983	63,128	6,698	7,018
Estimated unguaranteed residual value of leased assets	8,558	9,346	5,494	5,976	3,064	3,370
Less deferred income	(12,215)	(13,152)	(9,120)	(9,754)	(3,095)	(3,398)
Investment in financing leases, net of deferred income	63,024	66,340	56,357	59,350	6,667	6,990
Less amounts to arrive at net investment						
Allowance for losses	(547)	(1,059)	(402)	(872)	(145)	(187)
Deferred taxes	(7,991)	(9,563)	(3,477)	(4,895)	(4,514)	(4,668)
Net investment in financing leases	\$ 54,486	\$ 55,718	\$ 52,478	\$ 53,583	\$ 2,008	\$ 2,135

(a) Included \$465 million and \$477 million of initial direct costs on direct financing leases at December 31, 2005 and 2004, respectively.

(b) Included pre-tax income of \$241 million and \$335 million and income tax of \$93 million and \$128 million during 2005 and 2004, respectively. Net investment credits recognized during 2005 and 2004 were inconsequential.

### Contractual Maturities

Explanation of Responses:



<i>(In millions)</i>	<b>Total loans</b>	<b>Net rentals receivable</b>
Due in		
2006	\$ 73,175	\$ 17,622
2007	30,543	14,166
2008	23,575	10,643
2009	13,683	7,188
2010	14,147	4,102
2011 and later	70,990	12,960
Total	\$ 226,113	\$ 66,681

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We expect actual maturities to differ from contractual maturities.

Individually “impaired” loans are defined by GAAP as larger balance or restructured loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. An analysis of impaired loans follows.

<i>December 31 (In millions)</i>	<b>2005</b>		<b>2004</b>	
Loans requiring allowance for losses	\$	1,474	\$	1,687
Loans expected to be fully recoverable		451		520
	\$	1,925	\$	2,207
Allowance for losses	\$	626	\$	747
Average investment during year		2,116		2,398
Interest income earned while impaired <sup>(a)</sup>		46		26

(a) Recognized principally on cash basis.

#### **Note 7. Allowance for Losses on Financing Receivables**

<i>(In millions)</i>	<b>2005</b>		<b>2004</b>		<b>2003</b>	
<b>Balance at January 1</b>						
GE Commercial Finance	\$	1,505	\$	1,925	\$	2,379
GE Consumer Finance		3,473		3,959		2,762
GE Infrastructure <sup>(a)</sup>		581		287		253
Other		30		27		53
		5,589		6,198		5,447
<b>Provision charged to operations</b>						
GE Commercial Finance		315		302		849
GE Consumer Finance		3,337		3,220		2,694
GE Infrastructure <sup>(a)</sup>		211		328		27
Other		1		18		42
		3,864		3,868		3,612
<b>Other additions (reductions)</b>						
		(489)		(59)		717
<b>Gross write-offs</b>						
GE Commercial Finance		(875)		(920)		(1,281)
GE Consumer Finance <sup>(b)</sup>		(4,447)		(4,425)		(3,044)
GE Infrastructure <sup>(a)</sup>		(572)		(27)		(24)
Other		(47)		(73)		(73)
		(5,941)		(5,445)		(4,422)

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Explanation of Responses:



<i>(In millions)</i>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Recoveries</b>			
GE Commercial Finance	177	158	120
GE Consumer Finance	1,359	846	710
GE Infrastructure <sup>(a)</sup>	-	2	2
Other	11	21	12
	1,547	1,027	844
<b>Balance at December 31</b>			
GE Commercial Finance	1,087	1,505	1,925
GE Consumer Finance	3,234	3,473	3,959
GE Infrastructure <sup>(a)</sup>	219	581	287
Other	30	30	27
Total	\$ 4,570	\$ 5,589	\$ 6,198

(a) Included only portions of the segment that are financial services businesses.

(b) Included \$889 million in 2004 related to the standardization of our write-off policy.

See note 6 for amounts related to consolidated, liquidating securitization entities.

#### **Selected Financing Receivables Ratios**

<i>December 31</i>	<b>2005</b>	<b>2004</b>
<b>Allowance for losses on financing receivables as a percentage of total financing receivables</b>		
GE Commercial Finance	0.84%	1.24%
GE Consumer Finance	2.49	2.72
GE Infrastructure <sup>(a)</sup>	1.16	2.80
Other	0.27	0.20
Total	1.58	1.96
<b>Nonearning and reduced earning financing receivables as a percentage of total financing receivables</b>		
GE Commercial Finance	1.0%	1.2%
GE Consumer Finance	2.1	2.0
GE Infrastructure <sup>(a)</sup>	0.1	0.8
Other	0.7	1.2
Total	1.4	1.5

(a) Included only portions of the segment that are financial services businesses.

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**Note 8. Buildings and Equipment**

<i>December 31 (Dollars in millions)</i>	Estimated useful lives-new (years)	<b>2005</b>	<b>2004</b>
<b>Original cost<sup>(a)</sup></b>			
Buildings and equipment	2-40	\$ 5,501	\$ 5,632
Equipment leased to others			
Aircraft	20	32,941	26,837
Vehicles	1-14	23,206	23,056
Railroad rolling stock	3-30	3,327	3,390
Mobile and modular space	12-18	2,889	2,965
Construction and manufacturing	5-25	1,594	1,762
All other	2-33	2,752	2,902
Total		\$ 72,210	\$ 66,544
<b>Net carrying value<sup>(a)</sup></b>			
Buildings and equipment		\$ 3,085	\$ 3,260
Equipment leased to others			
Aircraft <sup>(b)</sup>		27,116	21,991
Vehicles		14,062	14,062
Railroad rolling stock		2,189	2,193
Mobile and modular space		1,496	1,635
Construction and manufacturing		1,080	1,150
All other		1,908	1,959
Total		\$ 50,936	\$ 46,250

(a) Included \$1,935 million and \$2,243 million of original cost of assets leased to GE with accumulated amortization of \$298 million and \$377 million at December 31, 2005 and 2004, respectively.

(b) The Aviation Financial Services business of GE Infrastructure recognized impairment losses of \$295 million in 2005 and \$148 million in 2004 recorded in the caption "Depreciation and amortization" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of equipment leased to others was \$5,591 million, \$5,314 million and \$4,162 million in 2005, 2004 and 2003, respectively. Noncancelable future rentals due from customers for equipment on operating leases at December 31, 2005, are due as follows:

*(In millions)*

Due in	
2006	\$ 7,615
2007	6,099

Explanation of Responses:

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2008	4,743
2009	3,375
2010	2,642
2011 and later	7,840
Total	\$ 32,314

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**Note 9. Intangible Assets**

<i>December 31 (In millions)</i>	<b>2005</b>		<b>2004</b>	
Goodwill	\$	21,161	\$	21,403
Intangible assets subject to amortization		2,021		1,593
Total	\$	23,182	\$	22,996

Changes in goodwill balances, net of accumulated amortization, follow.

<i>(In millions)</i>	<b>2005</b>				
	<b>GE Commercial Finance</b>	<b>GE Consumer Finance</b>	<b>GE Industrial<sup>(a)</sup></b>	<b>GE Infrastructure<sup>(a)</sup></b>	<b>Total</b>
Balance January 1	\$ 9,960	\$ 9,854	\$ 1,459	\$ 130	\$ 21,403
Acquisitions/purchase accounting adjustments	771	(24)	(2)	(4)	741
Currency exchange and other	(286)	(646)	(51)	-	(983)
Balance December 31	\$ 10,445	\$ 9,184	\$ 1,406	\$ 126	\$ 21,161

<i>(In millions)</i>	<b>2004</b>				
	<b>GE Commercial Finance</b>	<b>GE Consumer Finance</b>	<b>GE Industrial<sup>(a)</sup></b>	<b>GE Infrastructure<sup>(a)</sup></b>	<b>Total</b>
Balance January 1	\$ 9,018	\$ 8,106	\$ 380	\$ 114	\$ 17,618
Acquisitions/purchase accounting adjustments	864	1,275	(11)	9	2,137
Currency exchange and other	78	473	1,090 <sup>(b)</sup>	7	1,648
Balance December 31	\$ 9,960	\$ 9,854	\$ 1,459	\$ 130	\$ 21,403

(a) Included only portions of the segment that are financial services businesses.

(b) Included \$1,055 million of goodwill associated with the consolidation of Penske effective January 1, 2004.

The amount of goodwill related to new acquisitions recorded during 2005 was \$950 million, the largest of which were Antares Capital Corp. (\$407 million), the Transportation Financial Services Group of CitiCapital (\$226 million) and the Inventory Finance division of Bombardier Capital (\$191 million) by GE Commercial Finance.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2005 was \$209 million, primarily associated with the 2004 acquisitions of Australian Financial Investment Group (AFIG) by GE Consumer Finance and Sophia S.A. by GE Commercial Finance.



The amount of goodwill related to new acquisitions during 2004 was \$1,904 million, the largest of which were WMC Finance Co. (\$520 million) and AFIG (\$301 million) by GE Consumer Finance, and Sophia S.A. (\$511 million) and most of the commercial lending business of Transamerica Finance Corporation (\$294 million) by GE Commercial Finance.

The amount of goodwill related to purchase accounting adjustments to prior-year acquisitions during 2004 was \$233 million, primarily associated with the 2003 acquisition of Allbank and First National Bank at GE Consumer Finance.

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Upon closing an acquisition, we estimate the fair values of assets and liabilities acquired and consolidate the acquisition as quickly as possible. Given the time it takes to obtain pertinent information to finalize the acquired company's balance sheet (frequently with implications for the price of the acquisition), then to adjust the acquired company's accounting policies, procedures, books and records to our standards, it is often several quarters before we are able to finalize those initial fair value estimates. Accordingly, it is not uncommon for our initial estimates to be subsequently revised.

### Intangible Assets Subject to Amortization

<i>December 31 (In millions)</i>	<b>Gross carrying amount</b>	<b>2005</b>		<b>2004</b>		
		<b>Accumulated amortization</b>	<b>Net</b>	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net</b>
Capitalized software	\$ 1,454	\$ (785)	\$ 669	\$ 1,243	\$ (660)	\$ 583
Patents, licenses and trademarks	495	(272)	223	437	(226)	211
All other	1,870	(741)	1,129	1,401	(602)	799
Total	\$ 3,819	\$ (1,798)	\$ 2,021	\$ 3,081	\$ (1,488)	\$ 1,593

Amortization expense related to intangible assets subject to amortization was \$400 million and \$452 million for 2005 and 2004, respectively.

### Note 10. Other Assets

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Investments		
Associated companies	\$ 15,177	\$ 11,075
Real estate <sup>(a)</sup>	16,408	19,112
Assets held for sale <sup>(b)</sup>	8,574	6,501
Cost method <sup>(c)</sup>	2,235	2,234
Other	3,045	3,914
	45,439	42,836
Deferred acquisition costs	158	181
Derivative instruments	1,485	3,053
Advances to suppliers	1,762	1,754
Other	3,260	3,573
Total <sup>(d)</sup>	\$ 52,104	\$ 51,397

(a) Our investment in real estate consisted principally of two categories: real estate held for investment and equity method investments. Both categories contained a wide range of properties including the following at December 31, 2005: office buildings (52%), apartment buildings (20%), retail facilities (8%), industrial properties (6%), parking facilities (5%), franchise properties (3%) and other (6%). At December 31, 2005, investments were located in Europe (46%), North America (35%) and Asia (19%).

- (b) Assets were classified as held for sale on the date a decision was made to dispose of them through sale, securitization or other means. Such assets consisted primarily of real estate properties and mortgage and credit card receivables, and were accounted for at the lower of carrying amount or estimated fair value less costs to sell.
- (c) The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months in 2005 were \$99 million and \$30 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more in 2005 were \$22 million and \$9 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months in 2004 were \$54 million and \$25 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more in 2004 were \$54 million and \$41 million, respectively.
- (d) Included \$1,235 million in 2005 and \$2,384 million in 2004 related to consolidated, liquidating securitization entities. See note 19.

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**Note 11. Borrowings****Short-Term Borrowings**

<i>December 31 (Dollars in millions)</i>	<b>2005</b>		<b>2004</b>	
	Amount	Average rate <sup>(a)</sup>	Amount	Average rate <sup>(a)</sup>
Commercial paper				
U.S.				
Unsecured	\$ 60,640	4.30%	\$ 55,145	2.23%
Asset-backed <sup>(b)</sup>	9,267	4.21	13,842	2.17
Non-U.S.	20,456	3.47	20,835	2.97
Current portion of long-term debt <sup>(c)(d)</sup>	41,744	4.05	37,426	4.11
Other	17,572		20,045	
Total	\$ 149,679		\$ 147,293	

(a) Based on year-end balances and year-end local currency interest rates. Current portion of long-term debt included the effects of interest rate and currency swaps, if any, directly associated with the original debt issuance.

(b) Entirely obligations of consolidated, liquidating securitization entities. See note 19.

(c) Included short-term borrowings by consolidated, liquidating securitization entities of \$697 million and \$756 million at December 31, 2005 and 2004, respectively. See note 19.

(d) Included \$250 million of subordinated notes guaranteed by GE at December 31, 2005.

**Long-Term Borrowings**

<i>December 31 (Dollars in millions)</i>	2005	Maturities	<b>2005</b>	<b>2004</b>
	Average rate <sup>(a)</sup>			
Senior notes				
Unsecured	4.45%	2007-2055	\$ 182,654	\$ 175,375
Asset-backed <sup>(b)</sup>	4.66	2007-2035	6,845	10,939
Extendible notes <sup>(c)</sup>	4.38	2007-2009	14,022	14,258
Subordinated notes <sup>(d)</sup>	5.83	2009-2037	2,685	820
Total			\$ 206,206	\$ 201,392

(a) Based on year-end balances and year-end local currency interest rates, including the effects of interest rate and currency swaps, if any, directly associated with the original

debt issuance.

- (b) Asset-backed senior notes were all issued by consolidated, liquidating securitization entities. See note 19.
- (c) Included obligations of consolidated, liquidating securitization entities in the amount of \$38 million and \$267 million at December 31, 2005 and 2004, respectively. See note 19.
- (d) Included \$450 million and \$700 million of subordinated notes guaranteed by GE at December 31, 2005 and 2004, respectively.

Our borrowings are addressed below from the perspectives of liquidity, interest rate and currency risk management. Additional information about borrowings and associated swaps can be found in note 18.

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**Liquidity** is affected by debt maturities and our ability to repay or refinance such debt. Long-term debt maturities, including borrowings from GE, over the next five years follow.

(In millions)

	2006		2007		2008		2009		2010
\$	41,744 <sup>(a)</sup>	\$	42,157 <sup>(b)</sup>	\$	42,433	\$	28,459	\$	18,647

(a) Floating rate extendible notes of \$297 million are due in 2006, but are extendible at the option of the investors to a final maturity in 2008. Fixed and floating rate notes of \$1,059 million contain put options with exercise dates in 2006, but have final maturity dates in 2007 (\$250 million), 2008 (\$350 million) and beyond 2010 (\$459 million).

(b) Floating rate extendible notes of \$14,022 million are due in 2007, of which \$2,000 million are extendible at the option of the investors to a final maturity in 2009.

Committed credit lines totaling \$57.2 billion had been extended to us by 75 banks at year-end 2005. Included in this amount was \$47.7 billion provided directly to us and \$9.5 billion provided by 19 banks to GE, to which we also have access. Our lines include \$27.4 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. The remaining \$29.8 billion are 364-day lines of which \$29.7 billion contain a term-out feature that allows us to extend the borrowings for one year from the date of expiration of the lending agreement. We pay banks for credit facilities, but compensation amounts were insignificant in each of the past three years.

**Interest rate and currency risk** is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives. The following table shows our borrowing positions considering the effects of swaps of currencies and interest rates.

#### Effective Borrowings (Including Swaps) (Restated)

December 31 (Dollars in millions)	2005		2004
	Amount	Average rate	Amount
Short-term <sup>(a)</sup>	\$ 107,935	3.98%	\$ 109,867
Long-term (including current portion)			
Fixed rate	\$ 145,504	4.50%	\$ 134,334
Floating rate	102,446	4.29	104,484
Total long-term	\$ 247,950		\$ 238,818

(a) Included commercial paper and other short-term debt.

At December 31, 2005, interest rate swap maturities ranged from 2006 to 2041.

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The following table provides additional information about derivatives designated as hedges of borrowings in accordance with Statement of Financial Accounting Standards (SFAS) 133, *Accounting for Derivative Instruments and Hedging Activities*.

**Derivative Fair Values by Activity/Instrument (Restated)**

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Cash flow hedges	\$ 726	\$ 254
Fair value hedges	(39)	1,864
Total	\$ 687	\$ 2,118
Interest rate swaps	\$ (423)	\$ (76)
Currency swaps	1,110	2,194
Total	\$ 687	\$ 2,118

At December 31, 2005, approximately 82% of our interest rate swaps related to borrowings were exempt from ongoing tests of their effectiveness as hedges. We regularly assess the effectiveness of all other hedge positions using a variety of techniques, including cumulative dollar offset and regression analysis depending on which method was selected at inception of the respective hedge. See note 18.

**Note 12. Investment Contracts, Insurance Liabilities and Insurance Annuity Benefits**

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Investment contracts	\$ 10,005	\$ 11,576
Guaranteed investment contracts of SPEs	11,685	11,648
Total investment contracts	21,690	23,224
Life insurance benefits <sup>(a)</sup>	2,324	2,237
Unpaid claims and claims adjustment expenses	159	203
Unearned premiums	256	171
Total	\$ 24,429	\$ 25,835

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 4.4% to 6.0% in both 2005 and 2004.

When insurance affiliates cede insurance to third parties, they are not relieved of their primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; we establish allowances for probable losses on such receivables from reinsurers as required.

We recognize reinsurance recoveries as a reduction of the Statement of Earnings caption "Investment contracts, insurance losses and insurance annuity benefits." Reinsurance recoveries were insignificant in each of the three years ended December 31, 2005.

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Explanation of Responses:





**Note 13. Income Taxes (Restated)**

The provision for income taxes is summarized in the following table.

<i>(In millions)</i>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Current tax expense	\$ 1,903	\$ 1,294	\$ 138
Deferred tax expense (benefit) from temporary differences	(746)	332	1,173
	\$ 1,157	\$ 1,626	\$ 1,311

We are included in the consolidated U.S. federal income tax return which GE Company files. The provision for current tax expense includes our effect on the consolidated return.

Current tax expense includes amounts applicable to U.S. federal income taxes of \$824 million, \$(472) million and \$(302) million in 2005, 2004 and 2003, respectively, and amounts applicable to non-U.S. jurisdictions of \$873 million, \$1,577 million and \$718 million in 2005, 2004 and 2003, respectively. Deferred taxes related to U.S. federal income taxes were benefits of \$301 million and \$17 million in 2005 and 2004, respectively, compared with an expense of \$508 million in 2003.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of temporary differences and forecasted operating earnings.

We have not provided U.S. deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that have been reinvested indefinitely. These earnings relate to ongoing operations and, at December 31, 2005, were approximately \$24 billion. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not reinvested indefinitely. Deferred taxes are provided for earnings of non-U.S. affiliates and associated companies when we plan to remit those earnings.

U.S. earnings from continuing operations before income taxes and accounting change were \$2,807 million in 2005, \$2,649 million in 2004 and \$2,012 million in 2003. The corresponding amounts for non-U.S.-based operations were \$7,348 million in 2005, \$7,125 million in 2004 and \$5,687 million in 2003.

A reconciliation of the U.S. federal statutory income tax rate to the actual income tax rate is provided below.

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**Reconciliation of U.S. Federal Statutory Income Tax Rate to Actual Income Tax Rate**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
U.S. federal statutory income tax rate	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:			
Tax-exempt income	(0.5)	(0.5)	(1.2)
Tax on global activities including exports	(22.4)	(14.8)	(12.1)
Fuels credits	(1.6)	(1.3)	(1.5)
All other - net	0.9	(1.8)	(3.2)
	(23.6)	(18.4)	(18.0)
Actual income tax rate	11.4%	16.6%	17.0%

Principal components of our net liability representing deferred income tax balances are as follows:

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Allowance for losses	\$ 2,019	\$ 2,196
Cash flow hedges	350	899
Other - net	4,212	3,840
Total deferred income tax assets	6,581	6,935
<b>Liabilities</b>		
Financing leases	7,991	9,545
Operating leases	3,989	3,622
Intangible assets	1,120	825
Other - net	4,654	3,509
Total deferred income tax liabilities	17,754	17,501
Net deferred income tax liability	\$ 11,173	\$ 10,566

**Note 14. Minority Interest in Equity of Consolidated Affiliates**

Minority interest in equity of consolidated affiliates includes common shares in consolidated affiliates and preferred stock issued by our affiliates. Preferred shares that we are required to redeem at a specified or determinable date are classified as liabilities. The balance is summarized as follows:

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Minority interest in consolidated affiliates <sup>(a)</sup>	\$ 898	\$ 1,007
Minority interest in preferred stock <sup>(b)</sup>	1,314	1,318
	\$ 2,212	\$ 2,325

(a) Included minority interest in consolidated, liquidating securitization entities, partnerships and common shares of consolidated affiliates.

(b) The preferred stock primarily pays cumulative dividends at variable rates. Dividend rates in local currency on the preferred stock ranged from 2.03% to 5.38% during 2005 and 0.99% to 5.46% during 2004.

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**Note 15. Shareowner's Equity (Restated)**

<i>(In millions)</i>	<b>2005 (Restated)</b>	<b>2004 (Restated)</b>	<b>2003 (Restated)</b>
<b>Cumulative preferred stock issued</b>	\$ -	\$ 3	\$ 3
<b>Common stock issued</b>	\$ 56	\$ 56	\$ 56
<b>Accumulated nonowner changes other than earnings</b>			
Balance at January 1	\$ 5,246	\$ 3,715	\$ (9)
Investment securities - net of deferred taxes of \$(242), \$(105) and \$375	(114)	(464)	622
Currency translation adjustments - net of deferred taxes of \$695, \$(1,285) and \$(1,448)	(2,501)	2,296	3,146
Cash flow hedges - net of deferred taxes of \$330, \$(102) and \$(383)	550	(87)	(709)
Minimum pension liabilities - net of deferred taxes of \$1, \$(33) and \$(4)	(23)	(93)	(9)
Reclassification adjustments			
Investment securities - net of deferred taxes of \$(63), \$(70) and \$(56)	(116)	(131)	(105)
Currency translation adjustments	-	-	4
Cash flow hedges - net of deferred taxes of \$(258), \$(19) and \$420	(469)	10	775
Balance at December 31 <sup>(a)</sup>	\$ 2,573	\$ 5,246	\$ 3,715
<b>Additional paid-in capital</b>			
Balance at January 1	\$ 14,539	\$ 14,196	\$ 14,192
Contributions <sup>(b)</sup>	43	343	6
Redemption of preferred stock <sup>(b)</sup>	(2,527)	-	-
Common stock issued <sup>(b)</sup>	-	-	(2)
Balance at December 31	\$ 12,055	\$ 14,539	\$ 14,196
<b>Retained earnings</b>			
Balance at January 1	\$ 34,194	\$ 28,752	\$ 25,779
Net earnings	9,926	8,590	7,445
Dividends <sup>(b)</sup>	(8,614)	(3,148)	(4,472)
Balance at December 31	\$ 35,506	\$ 34,194	\$ 28,752
<b>Total shareowner's equity at December 31</b>	<b>\$ 50,190</b>	<b>\$ 54,038</b>	<b>\$ 46,722</b>

(a) Included accumulated nonowner changes related to discontinued operations of \$465 million, \$1,230 million and \$1,615 million at December 31, 2005, 2004 and 2003, respectively.

(b)

Explanation of Responses:

Total dividends and other transactions with shareowner reduced equity by \$11,101 million, \$2,805 million and \$4,466 million in 2005, 2004 and 2003, respectively.

All common stock is owned by GE Capital Services, all of the common stock of which is in turn owned, directly or indirectly by GE Company.

At December 31, 2005 and 2004, the aggregate statutory capital and surplus of the insurance activities and discontinued insurance operations totaled \$2.4 billion and \$12.6 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

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**Note 16. Supplemental Cash Flows Information**

Changes in operating assets and liabilities are net of acquisitions and dispositions of principal businesses.

Amounts reported in the "Payments for principal businesses purchased" line in the Statement of Cash Flows is net of cash acquired and included debt assumed and immediately repaid in acquisitions.

Amounts reported in the "All other operating activities" line in the Statement of Cash Flows consists primarily of adjustments to current and noncurrent accruals and deferrals of costs and expenses, adjustments for gains and losses on assets, increases and decreases in assets held for sale and adjustments to assets.

Certain supplemental information related to our cash flows is shown below.

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>All other operating activities</b>			
Net change in assets held for sale	\$ 2,192	\$ 84	\$ 1,168
Amortization of intangible assets	400	452	588
Realized gains on sale of investment securities	(190)	(172)	(193)
Other <sup>(a)</sup>	(1,377)	(1,613)	(1,552)
	\$ 1,025	\$ (1,249)	\$ 11
<b>Net increase in financing receivables</b>			
Increase in loans to customers	\$ (314,309)	\$ (340,747)	\$ (261,039)
Principal collections from customers - loans	266,371	305,374	235,434
Investment in equipment for financing leases	(23,480)	(22,048)	(22,167)
Principal collections from customers - financing leases	21,509	19,238	18,406
Net change in credit card receivables	(21,391)	(21,312)	(11,379)
Sales of financing receivables	54,144	44,543	36,009
	\$ (17,156)	\$ (14,952)	\$ (4,736)
<b>All other investing activities</b>			
Purchases of securities by insurance activities	\$ (6,394)	\$ (5,078)	\$ (6,358)
Dispositions and maturities of securities by insurance activities	6,304	6,810	7,771
Proceeds from principal business dispositions	209	472	3,193
Other	8,000	3,563	(825)
	\$ 8,119	\$ 5,767	\$ 3,781

(a) As restated.

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<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Newly issued debt having maturities longer than 90 days</b>			
Short-term (91 to 365 days)	\$ 4,675	\$ 3,677	\$ 3,661
Long-term (longer than one year)	60,990	54,632	55,560
Proceeds - nonrecourse, leveraged lease	203	319	791
	\$ 65,868	\$ 58,628	\$ 60,012
<b>Repayments and other reductions of debt having maturities longer than 90 days</b>			
Short-term (91 to 365 days)	\$ (38,076)	\$ (41,085)	\$ (38,696)
Long-term (longer than one year)	(9,934)	(3,378)	(3,650)
Principal payments - nonrecourse, leveraged lease	(830)	(652)	(782)
	\$ (48,840)	\$ (45,115)	\$ (43,128)
<b>All other financing activities</b>			
Proceeds from sales of investment contracts	\$ 15,774	\$ 10,914	\$ 784
Redemption of investment contracts	(15,861)	(13,778)	(191)
Redemption of preferred stock	(2,530)	-	-
	\$ (2,617)	\$ (2,864)	\$ 593

**Note 17. Operating Segments (Restated)****Revenues**

<i>(In millions)</i>	<b>Total revenues</b>			<b>Intersegment revenues</b>			<b>External revenues</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>
GE Commercial Finance	\$ 20,014	\$ 19,068	\$ 16,627	\$ 121	\$ 161	\$ 148	\$ 19,893	\$ 18,907	\$ 16,479
GE Consumer Finance	19,416	15,725	12,734	35	13	17	19,381	15,712	12,717
GE Industrial <sup>(a)</sup>	6,627	6,571	3,428	17	13	15	6,610	6,558	3,413
GE Infrastructure <sup>(a)</sup>	5,058	4,290	3,766	-	2	1	5,058	4,288	3,765
GECC corporate items and eliminations	4,895	4,935	5,568	(173)	(189)	(181)	5,068	5,124	5,749
<b>Total</b>	<b>\$ 56,010</b>	<b>\$ 50,589</b>	<b>\$ 42,123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 56,010</b>	<b>\$ 50,589</b>	<b>\$ 42,123</b>

(a) Included only portions of the segment that are financial services businesses.



Revenues originating from operations based in the United States were \$26,289 million, \$25,429 million and \$20,810 million in 2005, 2004 and 2003, respectively. Revenues originating from operations based outside the United States were \$29,721 million, \$25,160 million and \$21,313 million in 2005, 2004 and 2003, respectively. Revenues originating in the United Kingdom were \$7,060 million, \$5,048 million and \$3,624 million in 2005, 2004 and 2003, respectively.

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<i>(In millions)</i>	<b>Depreciation and amortization</b>			<b>Provision for income taxes</b>		
	<b>For the years ended December 31</b>					
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
			<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>	
GE Commercial Finance	\$ 2,596	\$ 2,719	\$ 2,381	\$ 767	\$ 1,025	\$ 428
GE Consumer Finance	393	334	276	536	442	485
GE Industrial <sup>(a)</sup>	1,912	1,876	996	64	(124)	(137)
GE Infrastructure <sup>(a)</sup>	1,439	1,122	1,074	(195)	58	237
GECC corporate items and eliminations	25	70	214	(15)	225	298
<b>Total</b>	<b>\$ 6,365</b>	<b>\$ 6,121</b>	<b>\$ 4,941</b>	<b>\$ (1,157)</b>	<b>\$ (1,626)</b>	<b>\$ (1,311)</b>

(a) Included only portions of the segment that are financial services businesses.

<i>(In millions)</i>	<b>Interest on loans</b>			<b>Interest expense</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
				<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>
GE Commercial Finance	\$ 5,872	\$ 5,531	\$ 5,178	\$ 5,830	\$ 4,666	\$ 4,628
GE Consumer Finance	13,086	10,619	9,105	5,425	3,560	2,683
GE Industrial <sup>(a)</sup>	10	12	61	536	526	601
GE Infrastructure <sup>(a)</sup>	536	389	413	1,706	1,428	1,230
GECC corporate items and eliminations	391	563	600	543	730	591
<b>Total</b>	<b>\$ 19,895</b>	<b>\$ 17,114</b>	<b>\$ 15,357</b>	<b>\$ 14,040</b>	<b>\$ 10,910</b>	<b>\$ 9,733</b>

(a) Included only portions of the segment that are financial services businesses.

<i>(In millions)</i>	<b>Assets<sup>(b)(c)</sup></b>			<b>Buildings and equipment additions<sup>(d)</sup></b>		
	<b>At December 31</b>			<b>For the years ended December 31</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>			
GE Commercial Finance	\$ 189,138	\$ 184,896	\$ 172,998	\$ 5,005	\$ 4,213	\$ 4,798
GE Consumer Finance	159,592	150,531	105,935	189	217	191
GE Industrial <sup>(a)</sup>	17,438	17,888	16,922	3,366	3,060	1,001
GE Infrastructure <sup>(a)</sup>	53,548	50,550	45,512	2,874	3,121	2,345
GECC corporate items and eliminations	55,543	163,119	165,411	13	39	73
<b>Total</b>	<b>\$ 475,259</b>	<b>\$ 566,984</b>	<b>\$ 506,778</b>	<b>\$ 11,447</b>	<b>\$ 10,650</b>	<b>\$ 8,408</b>

(a) Included only portions of the segment that are financial services businesses.

- (b) Total assets of the GE Commercial Finance, GE Consumer Finance, GE Industrial and GE Infrastructure segments at December 31, 2005, include investments in and advances to associated companies of \$4,457 million, \$5,902 million, \$163 million and \$3,447 million, respectively, which contributed approximately \$284 million, \$295 million, \$(13) million and \$342 million, respectively, to segment pre-tax income for the year ended December 31, 2005.
- (c) Assets of discontinued operations are included in GECC corporate items and eliminations for all periods presented.
- (d) Additions to buildings and equipment include amounts relating to principal businesses purchased.

Buildings and equipment associated with operations based in the United States were \$16,546 million, \$16,094 million and \$11,762 million at year-end 2005, 2004 and 2003, respectively. Buildings and equipment associated with operations based outside the United States were \$34,390 million, \$30,156 million and \$26,752 million at year-

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end 2005, 2004 and 2003, respectively. Buildings and equipment associated with operations in the United Kingdom were \$1,494 million, \$1,720 million and \$1,730 million at year-end 2005, 2004 and 2003, respectively.

### **Basis for presentation**

Our operating businesses are organized based on the nature of markets and customers. Segment accounting policies are the same as described in note 1.

Details of total revenues and segment profit by operating segment can be found on page 19 of this report.

## **Note 18. Derivatives and Other Financial Instruments**

### **Derivatives and hedging**

We conduct our business activities in diverse markets around the world, including countries where obtaining local funding may not be efficient. The nature of our activities exposes us to risks of changes in interest rates, currency exchange rates and commodity prices. We manage these risks using a variety of straightforward techniques, including issuing debt funding that matches the interest rate nature and currency denomination of the related asset. In addition, we selectively use derivatives to reduce our exposure to interest rate and currency risk. For example, if we make a fixed rate loan and fund that loan with variable rate debt, we will enter into an interest rate swap to pay a fixed rate of interest and receive a variable rate of interest, and designate the swap as a hedge of the variable rate borrowing. We apply strict policies to manage each of these risks, including prohibitions on derivatives trading, derivatives market-making or other speculative activities.

To qualify for hedge accounting, details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risks that are to be hedged, the derivative instrument and how effectiveness is being assessed. The derivative must be highly effective in offsetting either changes in fair value or cash flows, as appropriate, for the risk being hedged. Effectiveness is assessed at the inception of the relationship. If specified criteria for the assumption of effectiveness are not met at hedge inception, effectiveness is assessed quarterly on a retrospective and prospective basis. Ineffectiveness is also measured quarterly, with the results recognized in earnings.

For derivatives that are not exchange-traded instruments, we use internal valuation models that incorporate market-based information. With the exception of foreign currency forwards and commodity derivatives, we also obtain valuations from our derivative counterparties to validate the valuations produced by our own models and to value a limited number of products that our internal models do not cover.

### **Cash flow hedges (Restated)**

Our cash flow hedging arrangements use simple derivatives to offset the variability of expected future cash flows. We use interest rate and currency swaps to convert variable rate borrowings to match the nature of the assets we acquire. We use currency forwards and options to manage exposures to changes in currency exchange rates associated with commercial purchase and sale transactions, including commodities. These instruments permit us to reduce the cash flow variability, in local currency, of costs or selling prices denominated in currencies other than the functional currency. For derivatives designated as cash flow hedges, we record changes in fair value in a separate component of equity to the extent effective, then release those changes to earnings contemporaneously with the earnings effects of the hedged items. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in equity is recognized contemporaneously with the earnings effects of the hedged item, consistent with the original hedge strategy. For hedge relationships discontinued because the forecasted transaction is not expected to occur by the

end of the originally specified period, any related derivative amounts recorded in equity are reclassified to earnings.

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At December 31, 2005, amounts related to derivatives qualifying as cash flow hedges amounted to a reduction of equity of \$367 million, of which we expect to transfer \$153 million to earnings in 2006 along with the earnings effects of the related forecasted transactions. At that date, the maximum term of derivative instruments that hedge forecasted transactions was 16 years and related to hedges of debt.

### **Fair value hedges**

Fair value hedges are hedges that reduce the risk of changes in the fair values of assets, liabilities and certain types of firm commitments. We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the effects of interest rate and currency exchange rate changes on local and nonfunctional currency denominated fixed-rate borrowings and certain types of fixed-rate assets. We record changes in fair value of a derivative designated and effective as a fair value hedge in earnings, offset by corresponding changes in the fair value of the hedged item.

Fair value adjustments decreased the carrying amount of debt outstanding at December 31, 2005, by \$114 million.

### **Net investment hedges**

Net investment hedges consist of currency forwards and currency swaps that reduce our exposure to changes in currency exchange rates on our investments in non-U.S. financial services subsidiaries. For qualifying net investment hedges, changes in the intrinsic value of the derivative are recorded in equity. Amounts excluded from the measure of effectiveness of net investment hedges are recognized in earnings in the period in which they arise. Derivative gains included in equity amounted to \$977 million and \$867 million at December 31, 2005 and 2004, respectively.

### **Derivatives not designated as hedges**

We must meet specific criteria in order to apply any of the three forms of hedge accounting discussed above. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. However, we use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting, as described in the following paragraph. Derivatives that do not qualify for hedge accounting are marked to market through earnings.

We use swaps, futures and option contracts, including caps, floors and collars, as economic hedges of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. We sometimes use credit default swaps to hedge the credit risk of various counterparties with which we have entered into loan or leasing arrangements. We occasionally obtain equity warrants as part of sourcing or financing transactions. Although these instruments are considered to be derivatives, their economic risks are similar to, and managed on the same basis as, risks of other equity instruments we hold.

### **Earnings effects of derivatives (Restated)**

In the context of hedging relationships, "effectiveness" refers to the degree to which fair value changes in the hedging instrument offset the corresponding expected earnings effects of the hedged item. At December 31, 2005, approximately 46 percent of our total interest rate swaps were exempt from ongoing tests of their effectiveness as hedges. For derivatives designated and qualifying as hedges but not qualifying for the assumption of effectiveness, we use a variety of techniques to assess effectiveness and measure ineffectiveness, including cumulative dollar offset and regression analysis, depending on which method was selected at inception of the respective hedge.

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Certain elements of hedge positions may be excluded from the measure of effectiveness, for example, changes in the value of purchased options attributable to volatility and passage of time.

The following table provides additional information about the earnings effects of derivatives.

### Pre-tax Gains (Losses)

<i>December 31 (In millions)</i>	<b>2005</b> <b>(Restated)</b>	<b>2004</b> <b>(Restated)</b>	<b>2003</b> <b>(Restated)</b>
<b>Cash flow hedges</b>			
Ineffectiveness	\$ (27)	\$ 21	\$ (43)
Amounts excluded from the measure of effectiveness	(5)	(6)	-
<b>Fair value hedges</b>			
Ineffectiveness	4	13	1
Amounts excluded from the measure of effectiveness	(8)	3	-

Additional information regarding the use of derivatives related to our financing activities is provided in note 11.

### Counterparty credit risk

The risk that counterparties to derivative contracts will default and not make payments to us according to the terms of the agreements is counterparty credit risk. We manage counterparty credit risk on an individual counterparty basis, which means that we net exposures on transactions by counterparty where legal right of offset exists and include the value of collateral to determine the amount of exposure to each counterparty. When the net exposure to a counterparty, based on the current market value of transactions, exceeds credit exposure limits (see table below), actions are taken to reduce exposure. Actions can include prohibiting the counterparty from entering into additional transactions, requiring collateral from the counterparty (as described below) and terminating or restructuring transactions.

Swaps are required to be executed under master agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-. To mitigate credit risk, in certain cases we have entered into collateral arrangements that provide us with the right to hold collateral when the current market value of derivative contracts exceeds an exposure threshold. Under these arrangements, we may receive rights to cash or U.S. Treasury or other highly-rated securities to secure our exposure. Such collateral is available to us in the event that a counterparty defaults. We evaluate credit risk exposures and compliance with credit exposure limits net of such collateral.

Fair values of our derivatives assets and liabilities represent the replacement value of existing derivatives at market prices and can change significantly from period to period based on, among other factors, market movements and changes in our positions. At December 31, 2005, our exposure to counterparties, after consideration of netting arrangements and collateral, was \$416 million.

Following is our policy relating to initial credit rating requirements and to exposure limits to counterparties.

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**Counterparty Credit Criteria**

	<b>Credit rating</b>	
	Moody's	S&P
Foreign exchange forwards and other derivatives less than one year	P-1	A-1
All derivatives between one and five years	Aa3 <sup>(a)</sup>	AA- <sup>(a)</sup>
All derivatives greater than five years	Aaa <sup>(a)</sup>	AAA <sup>(a)</sup>

(a) Counterparties that have an obligation to provide collateral to cover credit exposure in accordance with a credit support agreement must have a minimum A3/A- rating.

**Exposure Limits**

(In millions)

<b>Minimum rating</b>		<b>Exposure<sup>(a)</sup></b>	
Moody's	S&P	With collateral arrangements	Without collateral arrangements
Aaa	AAA	\$ 100	\$ 75
Aa3	AA-	50	50
A3	A-	5	-

(a) For derivatives with maturities less than one year, counterparties are permitted to have unsecured exposure up to \$150 million with a minimum rating of A-1/P-1.

**Financial Instruments**

<i>December 31 (In millions)</i>	<b>2005</b>			<b>2004</b>		
	Notional amount	Assets (liabilities) Carrying amount (net)	Estimated fair value	Notional amount	Assets (liabilities) Carrying amount (net)	Estimated fair value
<b>Assets</b>						
Loans	\$ (a)	\$ 222,090	\$ 222,443	\$ (a)	\$ 214,307	\$ 216,014
Other commercial and residential mortgages held for sale	(a)	5,683	5,736	(a)	4,577	4,577
Other financial instruments	(a)	4,131	4,488	(a)	2,813	3,026
<b>Liabilities</b>						
Borrowings <sup>(b)(c)</sup>	(a)	(355,885)	(363,562)	(a)	(348,685)	(355,849)
Investment contract benefits	(a)	(3,842)	(3,842)	(a)	(5,843)	(5,843)
Insurance - credit life <sup>(d)</sup>	2,172	-	-	1,909	-	-

Explanation of Responses:

(a) These financial instruments do not have notional amounts.

(b) Included effects of interest rate and cross-currency swaps.

(c) See note 11.

(d) Net of reinsurance of \$225 million at December 31, 2005.

Assets and liabilities that are reflected in the accompanying financial statements at fair value are not included in the above disclosures; such items include cash and equivalents, investment securities and derivative financial instruments. Other assets and liabilities - those not carried at fair value - are discussed below. Apart from certain of

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our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using financial models. There is no assurance that such estimates could actually have been realized at December 31, 2005 or 2004.

A description of how we estimate fair values follows.

**Loans**

Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

**Borrowings**

Based on discounted future cash flows using current market rates which are comparable to market quotes.

**Investment contract benefits**

Based on expected future cash flows, discounted at currently offered rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

**All other instruments**

Based on comparable market transactions, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations.

Additional information about certain categories in the table above follows.

**Residential mortgages**

Residential mortgage products amounting to \$12,633 million at December 31, 2005, were either high loan-to-value loans or those permitting interest-only payments. We originate such loans either for our portfolio or for sale in secondary markets. In both cases, higher yields compensate for the increased risk. The portfolio was geographically diverse, with Europe and North America the most significant market segments.

**Insurance - credit life**

Certain insurance affiliates in GE Consumer Finance issue credit life insurance designed to pay the balance due on a loan if the borrower dies before the loan is repaid. As part of our overall risk management process, we cede to third parties a portion of this associated risk, but are not relieved of our primary obligation to policyholders.

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**Loan Commitments**

<i>December 31 (In millions)</i>	<b>Notional amount</b>	
	<b>2005</b>	<b>2004</b>
Ordinary course of business lending commitments		
Fixed rate	\$ 4,648	\$ 2,260
Variable rate	7,026	8,145
Unused revolving credit lines <sup>(a)</sup>		
Commercial		
Fixed rate	779	1,210
Variable rate	20,779	21,411
Consumer - principally credit cards		
Fixed rate	170,367	141,965
Variable rate	281,113	200,219

(a) Excluded inventory financing arrangements, which may be withdrawn at our option, of \$11.4 billion and \$8.9 billion as of December 31, 2005 and 2004, respectively.

**Note 19. Securitization Entities**

We securitize financial assets in the ordinary course of business to improve shareowner returns. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GE-supported and third-party entities to execute securitization transactions funded in the commercial paper and term bond markets.

Securitized assets that are on-balance sheet include assets consolidated upon adoption of FIN 46. Although we do not control these entities, consolidation was required because we provided a majority of the credit and liquidity support for their activities. A majority of these entities were established to issue asset-backed securities, using assets that were sold by us and by third parties. These entities differ from others included in our consolidated financial statements because the assets they hold are legally isolated and are unavailable to us under any circumstances. Repayment of their liabilities depends primarily on cash flows generated by their assets. Because we have ceased transferring assets to these entities, balances will decrease as the assets repay. We refer to these entities as “consolidated, liquidating securitization entities.”

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The following table represents assets in securitization entities, both consolidated and off-balance sheet.

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Receivables secured by:		
Equipment	\$ 12,949	\$ 13,673
Commercial real estate	11,437	13,002
Residential real estate	8,882	9,094
Other assets	12,869	9,880
Credit card receivables	10,039	7,075
Total securitized assets	\$ 56,176	\$ 52,724

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Off-balance sheet <sup>(a)(b)</sup>	\$ 38,272	\$ 26,738
On-balance sheet <sup>(c)</sup>	17,904	25,986
Total securitized assets	\$ 56,176	\$ 52,724

(a) At December 31, 2005 and 2004, liquidity support amounted to \$2,000 million and \$2,100 million, respectively. These amounts are net of \$2,400 million and \$2,900 million, respectively, participated or deferred beyond one year. Credit support amounted to \$4,400 million and \$5,000 million at December 31, 2005 and 2004, respectively.

(b) Liabilities for recourse obligations related to off-balance sheet assets were \$93 million and \$64 million at December 31, 2005 and 2004, respectively.

(c) At December 31, 2005 and 2004, liquidity support amounted to \$10,000 million and \$14,400 million, respectively. These amounts are net of \$100 million and \$1,200 million, respectively, participated or deferred beyond one year. Credit support amounted to \$4,800 million and \$6,900 million at December 31, 2005 and 2004, respectively.

The portfolio of financing receivables consisted of loans and financing lease receivables secured by equipment, commercial and residential real estate and other assets; and credit card receivables. Examples of these assets include loans and leases on manufacturing and transportation equipment, loans on commercial property, commercial loans, and balances of high credit quality accounts from sales of a broad range of products and services to a diversified customer base.

Assets in consolidated, liquidating securitization entities are shown in the following captions in the Statement of Financial Position.

<i>December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>
Financing receivables - net (note 6)	\$ 16,615	\$ 22,848
Other assets	1,235	2,384
Other, principally investment securities	54	754
Total	\$ 17,904	\$ 25,986

**Off-balance sheet arrangements**

We engage in off-balance sheet securitization transactions with third-party entities and use public market term securitizations. As discussed above, assets in off-balance sheet securitization entities amounted to \$38.3 billion and \$26.7 billion at December 31, 2005 and 2004, respectively. Gross securitization gains amounted to \$939 million in 2005 compared with \$1,195 million in 2004 and \$1,351 million in 2003.

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Amounts recognized in our financial statements related to sales to off-balance sheet securitization entities are as follows:

<i>December 31 (In millions)</i>	<b>2005</b>		<b>2004</b>	
Retained interests	\$	3,871	\$	2,916
Servicing assets		29		33
Recourse liability		(93)		(64)
Total	\$	3,807	\$	2,885

**Retained interests.** When we securitize receivables, we determine fair value of retained interests based on discounted cash flow models that incorporate, among other things, assumptions about loan pool credit losses, prepayment speeds and discount rates. These assumptions are based on our experience, market trends and anticipated performance related to the particular assets securitized. We classify retained interests in securitized receivables as investment securities and mark them to fair value each reporting period, updating our models for current assumptions. These assets decrease as cash is received in payment. When the carrying amounts exceed fair value, we evaluate whether the unrealized loss is other than temporary and, if so, record any indicated loss in earnings currently.

**Servicing assets.** Following a securitization transaction, we also may provide servicing for a market-based fee based on remaining outstanding principal balances. Servicing assets are primarily associated with residential mortgage loans. Their value is subject to credit, prepayment and interest rate risk.

**Recourse liability.** Certain transactions involve credit support agreements. As a result, we provide for expected credit losses at amounts that approximate fair value.

The following table summarizes data related to securitization sales that we completed during 2005 and 2004.

<i>(Dollars in millions)</i>	<b>Equipment</b>	<b>Commercial real estate</b>	<b>Other assets</b>	<b>Credit card receivables</b>
<b>2005</b>				
Cash proceeds from securitization	\$ 3,702	\$ 5,571	\$ 4,705	\$ 6,985
Proceeds from collections reinvested in new receivables	-	-	27,697	10,067
Cash received on retained interests	190	58	10	1,644
Cash received from servicing and other sources	75	36	91	155
Weighted average lives (in months)	37	80	35	8
Assumptions as of sale date <sup>(a)</sup>				
Discount rate	8.8%	13.4%	12.6%	11.7%
Prepayment rate	8.8%	6.5%	21.2%	12.6%
Estimate of credit losses	2.3%	0.8%	0.6%	7.5%

(a) Based on weighted averages.

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<i>(Dollars in millions)</i>	<b>Equipment</b>	<b>Commercial real estate</b>	<b>Other assets</b>	<b>Credit card receivables</b>
<b>2004</b>				
Cash proceeds from securitization	\$ 5,367	\$ 4,093	\$ -	\$ 8,121
Proceeds from collections reinvested in new receivables	-	-	21,389	5,208
Cash received on retained interests	107	58	128	1,788
Cash received from servicing and other sources	85	6	62	138
Weighted average lives (in months)	37	68	-	7
Assumptions as of sale date <sup>(a)</sup>				
Discount rate	8.2%	13.0%	-	12.2%
Prepayment rate	9.1%	11.2%	-	14.9%
Estimate of credit losses	1.9%	1.1%	-	8.9%

(a) Based on weighted averages.

Key assumptions used in measuring the fair value of retained interests in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions related to all outstanding retained interests as of December 31, 2005, are noted in the following table.

<i>(Dollars in millions)</i>	<b>Equipment</b>	<b>Commercial real estate</b>	<b>Other assets</b>	<b>Credit card receivables</b>
<b>Discount rate<sup>(a)</sup></b>	6.4%	11.2%	5.5%	11.1%
Effect of:				
10% Adverse change	\$ (12)	\$ (13)	\$ (4)	\$ (10)
20% Adverse change	(24)	(24)	(8)	(23)
<b>Prepayment rate<sup>(a)</sup></b>	9.7%	2.0%	8.4%	12.8%
Effect of:				
10% Adverse change	\$ (6)	\$ (5)	\$ (7)	\$ (40)
20% Adverse change	(12)	(10)	(12)	(77)
<b>Estimate of credit losses<sup>(a)</sup></b>	2.0%	1.2%	0.5%	7.1%
Effect of:				
10% Adverse change	\$ (11)	\$ (7)	\$ (5)	\$ (39)
20% Adverse change	(22)	(13)	(9)	(81)
Remaining weighted average lives (in months)	27	51	15	7
Net credit losses	\$ 63	\$ -	\$ 8	\$ 588
Delinquencies	93	5	59	374

(a) Based on weighted averages.

**Guarantee and reimbursement contracts.** We provide protection to certain counterparties of interest rate swaps entered into by securitization-related entities related to changes in the relationship between commercial paper interest rates and the timing and amount of the payment streams. These arrangements provide protection for the life of the assets held by the securitization entities but generally amortize in proportion to the decline in underlying asset principal balances. At December 31, 2005, the notional amount of such support was \$1,259 million and related assets and liabilities were insignificant.

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## Note 20. Commitments and Guarantees

### Commitments, including guarantees

Our Aviation Financial Services business of GE Infrastructure had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating \$10,595 million at December 31, 2005.

At December 31, 2005, we were committed under the following guarantee arrangements beyond those provided on behalf of securitization entities. See note 19.

**Liquidity support.** Liquidity support provided to holders of certain variable rate bonds issued by municipalities amounted to \$2,510 million at December 31, 2005. If holders elect to sell supported bonds that cannot be remarketed, we are obligated to repurchase them at par. If called upon, our position would be secured by the repurchased bonds. While we hold any such bonds, we would receive interest payments from the municipalities at a rate that is in excess of the stated rate on the bond. To date, we have not been required to perform under such arrangements and our existing liquidity support will decrease \$1,437 million in 2006 and the remaining \$1,073 million by the end of 2008 as the underlying variable rate bonds reach their maturity date. We are currently not providing any such new liquidity facilities.

**Credit support.** We have provided \$6,030 million of credit support on behalf of certain customers or associated companies, predominantly joint ventures and partnerships, using arrangements such as standby letters of credit and performance guarantees. These arrangements enable our customers and associated companies to execute transactions or obtain desired financing arrangements with third parties. Should the customer or associated company fail to perform under the terms of the transaction or financing arrangement, we would be required to perform on their behalf. Under most such arrangements, our guarantee is secured, usually by the asset being purchased or financed, but possibly by certain other assets of the customer or associated company. The length of these credit support arrangements parallels the length of the related financing arrangements or transactions. The liability for such credit support was \$101 million at December 31, 2005.

**Indemnification agreements.** These are agreements that require us to fund up to \$503 million under residual value guarantees on a variety of leased equipment and \$206 million of other indemnification commitments arising primarily from sales of businesses or assets. Under most of our residual value guarantees, our commitment is secured by the leased asset at termination of the lease. The liability for these indemnification agreements was \$39 million at December 31, 2005.

**Contingent consideration.** These are agreements to provide additional consideration in a business combination to the seller if contractually specified conditions related to the acquired entity are achieved. At December 31, 2005, we had recognized no liabilities for our total exposure of \$245 million.

Our guarantees are provided in the ordinary course of business. We underwrite these guarantees considering economic, liquidity and credit risk of the counterparty. We believe that the likelihood is remote that any such arrangements could have a significant adverse effect on our financial position, results of operations or liquidity. We record liabilities for guarantees at estimated fair value, generally the amount of the premium received, or if we do not receive a premium, the amount based on appraisal, observed market values or discounted cash flows. Any associated recoveries from third parties are recorded as other receivables; not netted against the liabilities.

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**Note 21. Quarterly Information (Unaudited)**

<i>(In millions)</i>	First quarter		Second quarter		Third quarter		Fourth quarter	
	2005 (Restated)	2004 (Restated)	2005 (Restated)	2004 (Restated)	2005 (Restated)	2004 (Restated)	2005 (Restated)	2004 (Restated)
Total revenues	\$ 13,743	\$ 11,392	\$ 13,357	\$ 12,962	\$ 14,728	\$ 11,848	\$ 14,182	\$ 14,387
Earnings from continuing operations before income taxes and accounting change	\$ 2,327	\$ 1,723	\$ 2,023	\$ 2,635	\$ 3,021	\$ 2,302	\$ 2,784	\$ 3,114
Provision for income taxes	(291)	(298)	(107)	(590)	(470)	(397)	(289)	(341)
Earnings from continuing operations	2,036	1,425	1,916	2,045	2,551	1,905	2,495	2,773
Earnings (loss) from discontinued operations, net of taxes	247	238	89	(95)	353	164	239	135
Net earnings	\$ 2,283	\$ 1,663	\$ 2,005	\$ 1,950	\$ 2,904	\$ 2,069	\$ 2,734	\$ 2,908

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.****(a) Evaluation of Disclosure Controls and Procedures**

In connection with the restatement discussed above in the explanatory note to this Form 10-K/A and in note 1 to our financial statements, under the direction of our Chief Executive Officer and Chief Financial Officer, we reevaluated our disclosure controls and procedures. We identified a material weakness in our internal control over financial reporting with respect to accounting for hedge transactions, namely, that we did not have adequately designed procedures to designate, with the specificity required under SFAS 133, each hedged commercial paper transaction. Solely as a result of this material weakness, we concluded that our disclosure controls and procedures were not effective as of December 31, 2005.

As of January 1, 2007, we modified our commercial paper hedging program and adopted documentation for interest rate swaps that we believe complies with the requirements of SFAS 133 and remediated the related internal control weakness. In connection with this amended Form 10-K, under the direction of our Chief Executive Officer and Chief Financial Officer, we have evaluated our disclosure controls and procedures as currently in effect, including the remedial actions discussed above, and we have concluded that, as of this date, our disclosure controls and procedures are effective.

As previously reported, there was no change in our internal control over financial reporting during the quarter ended December 31, 2005, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(b) Management's Annual Report on Internal Control over Financial Reporting (as restated)

The management of General Electric Capital Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the company. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2005, based on the framework and criteria established in Internal

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Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In the company's Annual Report on Form 10-K for the year ended December 31, 2005, filed on March 3, 2006, management concluded that our internal control over financial reporting was effective as of December 31, 2005. Subsequently, management identified a material weakness in our internal control over financial reporting with respect to accounting for hedge transactions, namely, that we did not have adequately designed procedures to designate, with the specificity required under SFAS 133, each hedged commercial paper transaction.

This material weakness resulted in this amendment to our Annual Report on Form 10-K for the year ended December 31, 2005, in order to restate the financial statements for the years ended December 31, 2005, 2004 and 2003 and to restate financial information for the years ended December 31, 2002 and 2001 and each of the quarters in 2005 and 2004.

Solely as a result of this material weakness, our management has revised its earlier assessment and has now concluded that our internal control over financial reporting was not effective as of December 31, 2005.

General Electric Capital Corporation's independent auditor, KPMG LLP, a registered public accounting firm, has issued an audit report on our management's revised assessment of our internal control over financial reporting as of December 31, 2005. This audit report follows.

#### **Report of Independent Registered Public Accounting Firm**

To the Board of Directors of  
General Electric Capital Corporation:

We have audited management's restated assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting (as restated) that General Electric Capital Corporation and consolidated affiliates ("GECC") did not maintain effective internal control over financial reporting as of December 31, 2005, because of the effect of the material weakness identified in management's restated assessment, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). GECC management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of GECC's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that

transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

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only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified and included in its restated assessment the following material weakness as of December 31, 2005: a failure to ensure adequately designed procedures to designate, with the specificity required by Statement of Financial Accounting Standards No. 133, each hedged commercial paper transaction. This material weakness resulted in restatements of the Company's previously issued consolidated financial statements as of December 31, 2005 and 2004, and for each of the years in the three-year period ended December 31, 2005, and the financial information for each of the quarters in 2005 and 2004.

As stated in the fourth paragraph of Management's Annual Report on Internal Control over Financial Reporting (as restated), management's assessment of the effectiveness of GECC's internal control over financial reporting has been restated.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of financial position of General Electric Capital Corporation and consolidated affiliates as of December 31, 2005 and 2004, and the related statements of earnings, changes in shareowner's equity and cash flows for each of the years in the three-year period ended December 31, 2005. The aforementioned material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2005 consolidated financial statements (as restated), and this report does not affect our report dated February 10, 2006, except as to the restatement discussed in note 1 to the consolidated financial statements, which is as of January 19, 2007, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management's restated assessment that GECC did not maintain effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by COSO. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, GECC did not maintain effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by COSO.

/s/ KPMG LLP

KPMG LLP  
Stamford, Connecticut

February 10, 2006, except as to the second, third and fourth paragraphs of Management's Annual Report on Internal Control over Financial Reporting (as restated), which are as of January 19, 2007





**Item 9B. Other Information.**

Not applicable.

**PART III****Item 10. Directors and Executive Officers of the Registrant.**

Not required by this form.

**Item 11. Executive Compensation.**

Not required by this form.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Not required by this form.

**Item 13. Certain Relationships and Related Transactions.**

Not required by this form.

**Item 14. Principal Accounting Fees and Services.**

The aggregate fees billed for professional services by KPMG LLP, in 2005 and 2004 were:

<i>(In millions)</i>	<b>2005</b>	<b>2004</b>
<b>Type of fees</b>		
Audit fees	\$ 28.7	\$ 28.0
Audit-related fees	3.6	7.2
Tax fees	4.9	3.7
All other fees	-	-
	<b>\$ 37.2</b>	<b>\$ 38.9</b>

In the above table, in accordance with the SEC's definitions and rules, "Audit fees" are fees we paid KPMG for professional services for the audit of our annual financial statements included in Form 10-K and review of financial statements included in the Form 10-Qs; for the audit of our internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects; for the attestation of management's report on the effectiveness of internal control over financial reporting; and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements. "Audit-related fees" are fees for assurance and related services that are reasonably related to the

performance of the audit or the review of our financial statements and internal control over financial reporting, including services in connection with assisting the company in its compliance with its obligations under Section 404 of the Sarbanes-Oxley Act and related regulations; “Tax fees” are fees for tax compliance, tax advice and tax planning; and “All other fees” are fees for any services not included in the first three categories.

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a) 1. **Financial Statements**

Included in Part II of this report:

Report of Independent Registered Public Accounting Firm  
Statement of Earnings for each of the years in the three-year period ended December 31, 2005  
Statement of Changes in Shareowner's Equity for each of the years in the three-year period ended December 31, 2005  
Statement of Financial Position at December 31, 2005 and 2004  
Statement of Cash Flows for each of the years in the three-year period ended December 31, 2005  
Notes to Consolidated Financial Statements

Incorporated by reference:

The consolidated financial statements of General Electric Company, set forth in the Annual Report on Form 10-K/A of General Electric Company (S.E.C. File No. 001-00035) for the year ended December 31, 2005 (pages 41 through 109) and Exhibit 12 (Ratio of Earnings to Fixed Charges) of General Electric Company.

(a) 2. **Financial Statement Schedules**

Schedule I

Condensed financial information of registrant.

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is shown in the financial statements or notes thereto.

(a) 3. **Exhibit Index**

The exhibits listed below, as part of Form 10-K, are numbered in conformity with the numbering used in Item 601 of Regulation S-K of the Securities and Exchange Commission.

**Exhibit  
Number**

**Description**

2(a)

Agreement and Plan of Merger dated June 25, 2001, between GECC and GECS Merger Sub, Inc. (Incorporated by

reference to Exhibit 2.1 of GECC's Current Report on Form 8-K dated as of July 3, 2001).

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- 3(i) A complete copy of the Certificate of Incorporation of GECC as last amended on November 23, 2004, and currently in effect, consisting of the following: (a) the Restated Certificate of Incorporation of GECC as in effect immediately prior to the filing of a Certificate of Amendment on August 7, 2002 (Incorporated by reference to Exhibit 3(i) of GECC's Form 10-K Report for the year ended December 31, 2001); and (b) a Certificate of Amendment filed with the Office of the Secretary of State, State of Delaware on August 7, 2002 (Incorporated by reference to Exhibit 3(i) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-100527); (c) a Certificate of Amendment filed with the Office of the Secretary of State, State of Delaware on January 27, 2003 (Incorporated by reference to Exhibit 3(i) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-100527); and (d) a Certificate of Amendment filed with the Office of the Secretary of State, State of Delaware on November 23, 2004 (Incorporated by reference to Exhibit 3(i) of GECC's Form 10-K Report for the year ended December 31, 2004). GECC's Certificate of Merger filed with the Office of the Secretary of State, State of Delaware on June 29, 2001 (Incorporated by reference to Exhibit 2(a) of GECC's Form 10-K Report for the year ended December 31, 2001).
- 3(ii) A complete copy of the By-Laws of GECC as last amended on March 24, 2005, and currently in effect.
- 4(a) Amended and Restated General Electric Capital Corporation Standard Global Multiple Series Indenture Provisions dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(a) to GECC's Registration Statement on Form S-3, File No. 333-59707).
- 4(b) Third Amended and Restated Indenture dated as of February 27, 1997, between GECC and JPMorgan Chase Bank, N.A., (formerly known as The Chase Manhattan Bank) as successor trustee (Incorporated by reference to Exhibit 4(c) to GECC's Registration Statement on Form S-3, File No. 333-59707).
- 4(c) First Supplemental Indenture dated as of May 3, 1999, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(dd) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-76479).
- 4(d) Second Supplemental Indenture dated as of July 2, 2001, supplemental to Third Amended and Restated Indenture dated

as of February 27, 1997 (Incorporated by reference to Exhibit 4(f) to GECC's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-40880).

4(e)

Third Supplemental Indenture dated as of November 22, 2002, supplemental to Third Amended and Restated Indenture dated as of February 27, 1997 (Incorporated by reference to Exhibit 4(cc) to Post-Effective Amendment No. 1 to GECC's Registration Statement on Form S-3, File No. 333-100527).

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- 4(f) Seventh Amended and Restated Fiscal and Paying Agency Agreement among GECC, GE Capital Australia Funding Pty Ltd, GE Capital European Funding, GE Capital Canada Funding Company, GE Capital UK Funding and JPMorgan Chase Bank, N.A. and J.P. Morgan Bank (Ireland) p.l.c. dated as of July 1, 2005 (Incorporated by reference to Exhibit 4(f) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(g) Form of Global Medium-Term Note, Series A, Fixed Rate Registered Note (Incorporated by reference to Exhibit 4(m) to GECC's Registration Statement on Form S-3, File No. 333-100527).
- 4(h) Form of Global Medium-Term Note, Series A, Floating Rate Registered Note (Incorporated by reference to Exhibit 4(n) to GECC's Registration Statement on Form S-3, File No. 333-100527).
- 4(i) Form of Euro Medium-Term Note and Debt Security - Permanent Global Fixed Rate Bearer Note (Incorporated by reference to Exhibit 4(i) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(j) Form of Euro Medium-Term Note and Debt Security - Permanent Global Floating Rate Bearer Note (Incorporated by reference to Exhibit 4(j) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(k) Form of Euro Medium-Term Note and Debt Security - Temporary Global Fixed Rate Bearer Note (Incorporated by reference to Exhibit 4(k) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(l) Form of Euro Medium-Term Note and Debt Security - Temporary Global Floating Rate Bearer Note (Incorporated by reference to Exhibit 4(l) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(m) Form of Euro Medium-Term Note and Debt Security - Definitive Fixed Rate Bearer Note (Incorporated by reference to Exhibit 4(m) to General Electric Capital Services, Inc.'s Form 10-K Report for the year ended December 31, 2005).
- 4(n)



Form of Euro Medium-Term Note and Debt Security -  
Definitive Floating Rate Bearer Note (Incorporated by  
reference to Exhibit 4(n) to General Electric Capital Services,  
Inc.'s Form 10-K Report for the year ended December 31,  
2005).

- 4(o) Agreement to furnish to the Securities and Exchange  
Commission upon request a copy of instruments defining the  
rights of holders of certain long-term debt of the registrant  
and all subsidiaries for which consolidated or unconsolidated  
financial statements are required to be filed.
- 12(a) Computation of Ratio of Earnings to Fixed Charges.\*
- 12(b) Computation of Ratio of Earnings to Combined Fixed  
Charges and Preferred Stock Dividends.\*

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23(ii)	Consent of KPMG LLP.*
24	Power of Attorney.*
31(a)	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.*
31(b)	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.*
32	Certification Pursuant to 18 U.S.C. Section 1350.*
99(a)	Income Maintenance Agreement dated March 28, 1991, between General Electric Company and General Electric Capital Corporation. (Incorporated by reference to Exhibit 99(h) to GECC's Registration Statement on Form S-3, File No. 333-100527).
99(b)	The consolidated financial statements of General Electric Company, set forth in the Annual Report on Form 10-K of General Electric Company (S.E.C. File No. 001-00035) for the year ended December 31, 2005, (pages 41 through 109) and Exhibit 12 (Ratio of Earnings to Fixed Charges) of General Electric Company.
99(c)	Letter, dated February 4, 1999, from Dennis D. Dammerman of General Electric Company to Denis J. Nayden of General Electric Capital Corporation pursuant to which General Electric Company agrees to provide additional equity to General Electric Capital Corporation in conjunction with certain redemptions by General Electric Capital Corporation of shares of its Variable Cumulative Preferred Stock. (Incorporated by reference to Exhibit 99(g) to General Electric Capital Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3, File No. 333-59707).

\* Filed electronically herewith.

**General Electric Capital Corporation and consolidated affiliates****Schedule I - Condensed Financial Information of Registrant****General Electric Capital Corporation****Condensed Statement of Current and Retained Earnings**

<i>For the years ended December 31 (In millions)</i>	<b>2005 (Restated)</b>	<b>2004 (Restated)</b>	<b>2003 (Restated)</b>
<b>Revenues</b>	\$ 6,811	\$ 6,593	\$ 5,925
<b>Expenses</b>			
Interest	6,205	4,476	4,030
Operating and administrative	3,006	3,284	3,036
Provision for losses on financing receivables	601	687	504
Depreciation and amortization	416	447	419
Total expenses	10,228	8,894	7,989
Loss before income taxes and equity in earnings of affiliates	(3,417)	(2,301)	(2,064)
Income tax benefit	1,523	612	482
Equity in earnings of affiliates	11,820	10,279	9,366
Cumulative effect of accounting change	-	-	(339)
<b>Net earnings</b>	9,926	8,590	7,445
Dividends	(8,614)	(3,148)	(4,472)
Retained earnings at January 1	34,194	28,752	25,779
<b>Retained earnings at December 31</b>	\$ 35,506	\$ 34,194	\$ 28,752

The notes to condensed financial statements are an integral part of this statement.

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**General Electric Capital Corporation and consolidated affiliates****Schedule I - Condensed Financial Information of Registrant - (Continued)****General Electric Capital Corporation****Condensed Statement of Financial Position**

<i>At December 31 (In millions, except share amounts)</i>	<b>2005 (Restated)</b>	<b>2004 (Restated)</b>
<b>Assets</b>		
Cash and equivalents	\$ 3,077	\$ 280
Investment securities	2,671	4,426
Financing receivables - net	51,360	51,023
Investment in and advances to affiliates	245,217	232,193
Buildings and equipment - net	3,263	3,924
Other assets	11,235	13,177
Total assets	\$ 316,823	\$ 305,023
<b>Liabilities and equity</b>		
Borrowings	\$ 253,797	\$ 239,122
Other liabilities	6,680	5,192
Deferred income taxes	6,156	6,671
Total liabilities	266,633	250,985
Variable cumulative preferred stock, \$100 par value, liquidation preference \$100,000 per share (33,000 shares authorized; 700 shares issued and outstanding at December 31, 2005 and 26,000 shares issued and outstanding at December 31, 2004)	-	3
Common stock, \$14 par value (4,166,000 shares authorized at December 31, 2005 and 2004, and 3,985,403 shares issued and outstanding at December 31, 2005 and 2004)	56	56
Accumulated gains (losses) - net		
Investment securities	744	974
Currency translation adjustments	2,343	4,844
Cash flow hedges	(367)	(448)
Minimum pension liabilities	(147)	(124)
Additional paid-in capital	12,055	14,539
Retained earnings	35,506	34,194
Total shareholder's equity	50,190	54,038
Total liabilities and equity	\$ 316,823	\$ 305,023

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, restated cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," and was \$2,573 million and \$5,246

million at December 31, 2005 and 2004, respectively.

The notes to condensed financial statements are an integral part of this statement.

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**General Electric Capital Corporation and consolidated affiliates****Schedule I - Condensed Financial Information of Registrant - (Continued)****General Electric Capital Corporation****Condensed Statement of Cash Flows**

<i>For the years ended December 31 (In millions)</i>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Cash from (used for) operating activities</b>	\$ (843)	\$ 231	\$ (2,943)
<b>Cash flows - investing activities</b>			
Increase in loans to customers	(103,006)	(141,213)	(140,053)
Principal collections from customers - loans	100,689	141,022	142,687
Investment in equipment for financing leases	(2,987)	(3,550)	(5,274)
Principal collections from customers - financing leases	3,010	4,172	6,359
Net change in credit card receivables	268	(66)	(22)
Additions to buildings and equipment	(593)	(594)	(1,687)
Dispositions of buildings and equipment	797	1,102	1,016
Payments for principal businesses purchased	(7,167)	(13,888)	(10,482)
Proceeds from principal business dispositions	209	472	3,193
Decrease (increase) in investment in and advances to affiliates	4,455	(6,053)	4,762
All other investing activities	(2,049)	374	(4,074)
<b>Cash used for investing activities</b>	<b>(6,374)</b>	<b>(18,222)</b>	<b>(3,575)</b>
<b>Cash flows - financing activities</b>			
Net increase (decrease) in borrowings (maturities of 90 days or less)	4,815	8,680	(2,189)
Newly issued debt:			
Short-term (91-365 days)	2,884	1,538	1,764
Long-term senior	42,422	41,572	47,811
Non-recourse, leveraged lease	166	206	80
Repayments and other debt reductions:			
Short-term (91-365 days)	(28,426)	(33,912)	(31,811)
Long-term senior	(265)	-	(694)
Non-recourse, leveraged lease	(438)	(358)	(417)
Dividends paid to shareowner	(8,614)	(3,148)	(4,472)
Redemption of preferred stock	(2,530)	-	-
<b>Cash from financing activities</b>	<b>10,014</b>	<b>14,578</b>	<b>10,072</b>
<b>Increase (decrease) in cash and equivalents during year</b>	<b>2,797</b>	<b>(3,413)</b>	<b>3,554</b>
Cash and equivalents at beginning of year	280	3,693	139
Cash and equivalents at end of year	\$ 3,077	\$ 280	\$ 3,693

Explanation of Responses:

The notes to condensed financial statements are an integral part of this statement.

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**General Electric Capital Corporation and consolidated affiliates****Schedule I - Condensed Financial Information of Registrant - (Concluded)****General Electric Capital Corporation****Notes to Condensed Financial Statements****Financial statements presentation**

We have reclassified certain prior-year amounts to conform to the current year's presentation.

**Borrowings**

Total long-term borrowings at December 31, 2005 and 2004, are shown below.

<i>(Dollars in millions)</i>	2005 Average rate <sup>(a)</sup>	Maturities	2005	2004
Senior notes	4.69%	2007-2055	\$ 136,785	\$ 131,153
Extendible notes <sup>(b)</sup>	4.38%	2007-2009	13,984	13,991
Subordinated notes <sup>(c)</sup>	5.50%	2012-2037	2,678	698
			\$ 153,447	\$ 145,842

(a) Based on year-end balances and year-end local currency interest rates, including the effects of interest rate and currency swaps, if any, directly associated with the original debt issuance.

(b) Fixed and floating rate notes of \$1,059 million contain put options with exercise dates in 2006, but have final maturity dates in 2007 (\$250 million), 2008 (\$350 million) and beyond 2010 (\$459 million). Floating rate extendible notes of \$13,984 million are due in 2007, of which \$2,000 million are extendible at the option of the investors to a final maturity in 2009.

(c) Included \$450 million and \$700 million of subordinates notes guaranteed by GE at December 31, 2005 and 2004, respectively.

At December 31, 2005, maturities of long-term borrowings during the next five years, including the current portion of long-term debt, are \$30,617 million in 2006, \$34,748 million in 2007, \$34,359 million in 2008, \$19,497 million in 2009 and \$12,646 million in 2010.

Interest rate and currency risk is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives.



Interest expense on the Condensed Statement of Current and Retained Earnings is net of interest income on loans and advances to majority owned affiliates of \$3,622 million, \$3,242 million and \$3,339 million for 2005, 2004 and 2003, respectively.

**Income taxes**

General Electric Company files a consolidated U.S. federal income tax return which includes General Electric Capital Corporation. Income tax benefit includes our effects on the consolidated return.

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**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

General Electric Capital Corporation

January 19, 2007

By: /s/ Jeffrey R. Immelt  
Jeffrey R. Immelt  
Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Jeffrey R. Immelt Jeffrey R. Immelt	Chief Executive Officer (Principal Executive Officer)	January 19, 2007
/s/ Keith S. Sherin Keith S. Sherin	Chief Financial Officer (Principal Financial Officer)	January 19, 2007
/s/ Philip D. Ameen Philip D. Ameen	Senior Vice President and Controller (Principal Accounting Officer)	January 19, 2007
CHARLES E. ALEXANDER*	Director	
JEFFREY S. BORNSTEIN*	Director	
KATHRYN A. CASSIDY*	Director	
JAMES A. COLICA*	Director	
PAMELA DALEY*	Director	
BRACKETT B. DENNISTON*	Director	
JEFFREY R. IMMELT*	Director	
MICHAEL A. NEAL*	Director	
DAVID R. NISSEN*	Director	
RONALD R. PRESSMAN*	Director	
DEBORAH M. REIF*	Director	
JOHN G. RICE*	Director	
JOHN M. SAMUELS*	Director	
KEITH S. SHERIN*	Director	
LLOYD G. TROTTER	Director	
ROBERT C. WRIGHT*	Director	

A MAJORITY OF THE BOARD OF DIRECTORS

*By:	/s/ Philip D. Ameen Philip D. Ameen Attorney-in-fact	January 19, 2007
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