GENERAL ELECTRIC CO
Form 10-Q
August 02, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from ______ to ______

Commission file number 001-00035

GENERAL ELECTRIC COMPANY

(Exact name of registrant as specified in its charter)

New York	**14-0689340**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3135 Easton Turnpike, Fairfield, CT	**06828-0001**
(Address of principal executive offices)	**(Zip Code)**

(Registrant s telephone number, including area code) (203) 373-2211

(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

There were 10,691,220,000 shares of common stock with a par value of $0.06 per share outstanding at June 25, 2010.

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Forward-Looking Statements

This document contains forward-looking statements that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as expect, anticipate, intend, plan, believe, seek, see, or will. Forward-looking statements by their nature address matters that are, to different deg uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of conditions in the financial and credit markets on the availability and cost of General Electric Capital Corporation s (GECC) funding and on our ability to reduce GECC s asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so; the adequacy of our cash flow and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level; the level of demand and financial performance of the major industries we serve, including, without limitation, air and rail transportation, energy generation, network television, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

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Part I. Financial Information

Item 1. Financial Statements.

General Electric Company and consolidated affiliates

Condensed Statement of Earnings

	Three months ended June 30 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECS)	
(In millions, except share amounts)	2010	2009	2010	2009	2010	2009
Revenues						
Sales of goods	$ 14,905	$ 15,906	$ 14,736	$ 15,701	$ 168	$ 205
Sales of services	9,599	10,172	9,667	10,311		
Other income	278	34	304	80		
GECS earnings from continuing operations			822	367		
GECS revenues from services	12,662	12,996			12,980	13,252
Total revenues	37,444	39,108	25,529	26,459	13,148	13,457
Costs and expenses						
Cost of goods sold	11,129	12,450	10,975	12,287	154	164
Cost of services sold	6,067	6,354	6,134	6,493		
Interest and other financial charges	4,171	4,653	430	348	3,870	4,468
Investment contracts, insurance losses and insurance annuity benefits	722	779			770	823
Provision for losses on financing receivables	2,009	2,817			2,009	2,817
Other costs and expenses	9,059	8,933	3,589	3,556	5,637	5,471
Total costs and expenses	33,157	35,986	21,128	22,684	12,440	13,743
Earnings (loss) from continuing operations before income taxes	4,287	3,122	4,401	3,775	708	(286)
Benefit (provision) for income taxes	(885)	(227)	(986)	(897)	101	670
Earnings from continuing operations	3,402	2,895	3,415	2,878	809	384
Loss from discontinued operations, net of taxes	(188)	(194)	(188)	(194)	(188)	(193)
Net earnings	3,214	2,701	3,227	2,684	621	191
Less net earnings (loss) attributable to noncontrolling interests	105	12	118	(5)	(13)	17
Net earnings attributable to the Company	3,109	2,689	3,109	2,689	634	174
Preferred stock dividends declared	(75)	(75)	(75)	(75)		
Net earnings attributable to GE common shareowners	$ 3,034	$ 2,614	$ 3,034	$ 2,614	$ 634	$ 174
Amounts attributable to the Company						
Earnings from continuing operations	$ 3,297	$ 2,883	$ 3,297	$ 2,883	$ 822	$ 367
Loss from discontinued operations, net of taxes	(188)	(194)	(188)	(194)	(188)	(193)

Net earnings attributable to the Company	$ 3,109	$ 2,689	$ 3,109	$ 2,689	$ 634	$ 174
Per-share amounts						
Earnings from continuing operations						
Diluted earnings per share	$ 0.30	$ 0.26				
Basic earnings per share	$ 0.30	$ 0.26				
Net earnings						
Diluted earnings per share	$ 0.28	$ 0.25				
Basic earnings per share	$ 0.28	$ 0.25				
Dividends declared per common share	$ 0.10	$ 0.10				

(a) Represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis.

See Note 3 for other-than-temporary impairment amounts.

See accompanying notes. Separate information is shown for GE and Financial Services (GECS). Transactions between GE and GECS have been eliminated from the Consolidated columns.

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General Electric Company and consolidated affiliates

Condensed Statement of Earnings

	Six months ended June 30 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECS)	
(In millions, except share amounts)	2010	2009	2010	2009	2010	2009
Revenues						
Sales of goods	$ 28,670	$ 29,978	$ 28,225	$ 29,514	$ 449	$ 478
Sales of services	19,507	20,227	19,687	20,520		
Other income	628	462	680	559		
GECS earnings from continuing operations			1,361	1,346		
GECS revenues from services	25,244	26,879			25,870	27,436
Total revenues	74,049	77,546	49,953	51,939	26,319	27,914
Costs and expenses						
Cost of goods sold	21,701	23,883	21,286	23,509	419	388
Cost of services sold	13,007	12,987	13,186	13,280		
Interest and other financial charges	8,332	9,980	773	724	7,808	9,589
Investment contracts, insurance losses and insurance annuity benefits	1,469	1,525			1,557	1,596
Provision for losses on financing receivables	4,272	5,153			4,272	5,153
Other costs and expenses	18,154	18,270	7,126	6,920	11,370	11,600
Total costs and expenses	66,935	71,798	42,371	44,433	25,426	28,326
Earnings (loss) from continuing operations before income taxes	7,114	5,748	7,582	7,506	893	(412)
Benefit (provision) for income taxes	(1,316)	82	(1,774)	(1,739)	458	1,821
Earnings from continuing operations	5,798	5,830	5,808	5,767	1,351	1,409
Loss from discontinued operations, net of taxes	(578)	(215)	(578)	(215)	(575)	(197)
Net earnings	5,220	5,615	5,230	5,552	776	1,212
Less net earnings (loss) attributable to noncontrolling interests	166	97	176	34	(10)	63
Net earnings attributable to the Company	5,054	5,518	5,054	5,518	786	1,149
Preferred stock dividends declared	(150)	(150)	(150)	(150)		
Net earnings attributable to GE common shareowners	$ 4,904	$ 5,368	$ 4,904	$ 5,368	$ 786	$ 1,149
Amounts attributable to the Company						
Earnings from continuing operations	$ 5,632	$ 5,733	$ 5,632	$ 5,733	$ 1,361	$ 1,346
Loss from discontinued operations, net of taxes	(578)	(215)	(578)	(215)	(575)	(197)
Net earnings attributable to the Company	$ 5,054	$ 5,518	$ 5,054	$ 5,518	$ 786	$ 1,149

Per-share amounts				
Earnings from continuing operations				
Diluted earnings per share	$	0.51	$	0.53
Basic earnings per share	$	0.51	$	0.53
Net earnings				
Diluted earnings per share	$	0.45	$	0.51
Basic earnings per share	$	0.46	$	0.51
Dividends declared per common share	$	0.20	$	0.41

(a) Represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis.

See Note 3 for other-than-temporary impairment amounts.

See accompanying notes. Separate information is shown for GE and Financial Services (GECS). Transactions between GE and GECS have been eliminated from the Consolidated columns.

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General Electric Company and consolidated affiliates

Condensed Statement of Financial Position

(In million, except share amounts)	Consolidated June 30, 2010 (Unaudited)	Consolidated December 31, 2009	GE(a) June 30, 2010 (Unaudited)	GE(a) December 31, 2009	Financial Services (GECS) June 30, 2010 (Unaudited)	Financial Services (GECS) December 31, 2009
Assets						
Cash and equivalents	$ 73,848	$ 72,260	$ 12,861	$ 8,654	$ 61,547	$ 64,356
Investment securities	42,102	51,941	21	30	42,083	51,913
Current receivables	17,589	16,458	9,471	9,818		
Inventories	11,366	11,987	11,295	11,916	71	71
Financing receivables net	324,145	329,232			333,262	336,926
Other GECS receivables	8,577	14,177			13,093	18,752
Property, plant and equipment net	65,358	69,212	11,668	12,495	53,690	56,717
Investment in GECS			67,267	70,833		
Goodwill	63,094	65,574	35,951	36,613	27,143	28,961
Other intangible assets net	10,946	11,929	8,153	8,450	2,793	3,479
All other assets	98,363	103,417	16,991	17,097	82,432	87,471
Assets of businesses held for sale	33,289	34,111	32,690	33,986	599	125
Assets of discontinued operations	1,253	1,520	50	50	1,203	1,470
Total assets(b)	$ 749,930	$ 781,818	$ 206,418	$ 209,942	$ 617,916	$ 650,241
Liabilities and equity						
Short-term borrowings	$ 120,154	$ 130,252	$ 289	$ 504	$ 121,011	$ 131,137
Accounts payable, principally trade accounts	14,230	19,703	10,101	10,373	8,184	13,275
Progress collections and price adjustments accrued	10,868	12,192	11,514	12,957		
Other GE current liabilities	14,313	14,527	14,313	14,527		
Non-recourse borrowings of consolidated securitization entities	33,411	3,883			33,411	3,883
Bank deposits	37,471	38,923			37,471	38,923
Long-term borrowings	298,701	337,134	9,617	11,681	289,768	326,391
Investment contracts, insurance liabilities and insurance annuity benefits	30,529	31,641			31,015	32,009
All other liabilities	55,349	58,861	34,904	35,232	20,565	23,756
Deferred income taxes	2,434	2,173	(4,217)	(4,620)	6,651	6,793
Liabilities of businesses held for sale	10,364	6,092	10,103	6,037	261	55
Liabilities of discontinued operations	1,381	1,301	167	163	1,214	1,138
Total liabilities(b)	629,205	656,682	86,791	86,854	549,551	577,360
Preferred stock (30,000 shares outstanding at both June 30, 2010 and December 31, 2009)						
Common stock (10,691,220,000 and 10,663,075,000 shares outstanding at June 30, 2010 and December 31, 2009, respectively)	702	702	702	702	1	1
Accumulated other comprehensive income net(c)						
Investment securities	291	(435)	291	(435)	289	(436)
Currency translation adjustments	(3,319)	3,836	(3,319)	3,836	(2,636)	1,372
Cash flow hedges	(1,290)	(1,734)	(1,290)	(1,734)	(1,268)	(1,769)
Benefit plans	(16,008)	(16,932)	(16,008)	(16,932)	(369)	(434)
Other capital	37,357	37,729	37,357	37,729	27,583	27,591

Retained earnings	127,436	126,363	127,436	126,363	43,667	44,508
Less common stock held in treasury	(31,235)	(32,238)	(31,235)	(32,238)		
Total GE shareowners equity	113,934	117,291	113,934	117,291	67,267	70,833
Noncontrolling interests(d)	6,791	7,845	5,693	5,797	1,098	2,048
Total equity	120,725	125,136	119,627	123,088	68,365	72,881
Total liabilities and equity	$ 749,930	$ 781,818	$ 206,418	$ 209,942	$ 617,916	$ 650,241

(a) Represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis.

(b) Our consolidated assets at June 30, 2010 include total assets of $53,755 million of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs. These assets include net financing receivables of $42,786 million and investment securities of $7,126 million. Our consolidated liabilities at June 30, 2010 include liabilities of certain VIEs for which the VIE creditors do not have recourse to GE. These liabilities include non-recourse borrowings of consolidated securitization entities (CSEs) of $32,696 million. See Note 16.

(c) The sum of accumulated other comprehensive income net was $(20,326) million and $(15,265) million at June 30, 2010 and December 31, 2009, respectively.

(d) Included accumulated other comprehensive income net attributable to noncontrolling interests of $(185) million and $(188) million at June 30, 2010 and December 31, 2009, respectively.

See accompanying notes. Separate information is shown for GE and Financial Services (GECS). Transactions between GE and GECS have been eliminated from the Consolidated columns.

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General Electric Company and consolidated affiliates

Condensed Statement of Cash Flows

	Six months ended June 30 (Unaudited)					
	Consolidated		GE(a)		Financial Services (GECS)	
(In millions)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Cash flows operating activities						
Net earnings	$ 5,220	$ 5,615	$ 5,230	$ 5,552	$ 776	$ 1,212
Less net earnings attributable to noncontrolling interests	166	97	176	34	(10)	63
Net earnings attributable to the Company	5,054	5,518	5,054	5,518	786	1,149
Loss from discontinued operations	578	215	578	215	575	197
Adjustments to reconcile net earnings attributable to the Company to cash provided from operating activities						
Depreciation and amortization of property, plant and equipment	4,856	5,235	1,075	1,107	3,781	4,128
Earnings from continuing operations retained by GECS			(1,361)	(1,346)		
Deferred income taxes	(1,615)	(1,150)	(422)	29	(1,193)	(1,179)
Decrease (increase) in GE current receivables	892	2,187	559	2,836		
Decrease (increase) in inventories	522	210	559	246		4
Increase (decrease) in accounts payable	593	(984)	201	(651)	502	(1,278)
Increase (decrease) in GE progress collections	(1,452)	(675)	(1,486)	(651)		
Provision for losses on GECS financing receivables	4,272	5,153			4,272	5,153
All other operating activities	2,919	(10,131)	1,557	(259)	1,564	(9,839)
Cash from (used for) operating activities continuing operations	16,619	5,578	6,314	7,044	10,287	(1,665)
Cash from (used for) operating activities discontinued operations	(92)	(44)			(92)	(44)
Cash from (used for) operating activities	16,527	5,534	6,314	7,044	10,195	(1,709)
Cash flows investing activities						
Additions to property, plant and equipment	(3,019)	(4,459)	(937)	(1,325)	(2,204)	(3,299)
Dispositions of property, plant and equipment	2,501	2,605			2,501	2,605
Net decrease (increase) in GECS financing receivables	16,669	25,944			17,312	25,450
Proceeds from principal business dispositions	2,678	9,032	1,683	186	825	8,846
Payments for principal businesses purchased	(19)	(5,973)	(19)	(336)		(5,637)
Capital contribution from GE to GECS				(9,500)		
All other investing activities	8,898	5	(91)	(14)	8,963	1,027
Cash from (used for) investing activities continuing operations	27,708	27,154	636	(10,989)	27,397	28,992
Cash from (used for) investing activities discontinued operations	26	48			26	48
Cash from (used for) investing activities	27,734	27,202	636	(10,989)	27,423	29,040
Cash flows financing activities						
Net increase (decrease) in borrowings (maturities of 90 days or less)	(1,357)	(22,964)	(1,063)	1,564	(537)	(25,512)
Net increase (decrease) in bank deposits	748	(6,450)			748	(6,450)
Newly issued debt (maturities longer than 90 days)	31,661	49,890	4,116	1,330	27,291	48,691
Repayments and other reductions (maturities longer than 90 days)	(68,140)	(40,681)	(3,218)	(1,559)	(64,922)	(39,122)

Net dispositions (purchases) of GE shares for treasury	178	484	178	484		
Dividends paid to shareowners	(2,287)	(6,705)	(2,287)	(6,705)		
Capital contribution from GE to GECS						9,500
All other financing activities	(1,637)	(2,143)	(162)	(293)	(1,475)	(1,850)
Cash from (used for) financing activities continuing operations	(40,834)	(28,569)	(2,436)	(5,179)	(38,895)	(14,743)
Cash from (used for) financing activities discontinued operations						
Cash from (used for) financing activities	(40,834)	(28,569)	(2,436)	(5,179)	(38,895)	(14,743)
Effect of currency exchange rate changes on cash and equivalents	(1,905)	(34)	(307)	19	(1,598)	(53)
Increase (decrease) in cash and equivalents	1,522	4,133	4,207	(9,105)	(2,875)	12,535
Cash and equivalents at beginning of year	72,444	48,367	8,654	12,090	64,540	37,666
Cash and equivalents at June 30	73,966	52,500	12,861	2,985	61,665	50,201
Less cash and equivalents of discontinued operations at June 30	118	184			118	184
Cash and equivalents of continuing operations at June 30	$ 73,848	$ 52,316	$ 12,861	$ 2,985	$ 61,547	$ 50,017

(a) Represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis.

See accompanying notes. Separate information is shown for GE and Financial Services (GECS). Transactions between GE and GECS have been eliminated from the Consolidated columns and are discussed in Note 17.

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Summary of Operating Segments

General Electric Company and consolidated affiliates

(In millions)	Three months ended June 30 (Unaudited) 2010	Three months ended June 30 (Unaudited) 2009	Six months ended June 30 (Unaudited) 2010	Six months ended June 30 (Unaudited) 2009
Revenues				
Energy Infrastructure(a)	$ 9,540	$ 10,459	$ 18,195	$ 19,541
Technology Infrastructure(a)	9,061	9,637	17,720	19,160
NBC Universal	3,750	3,565	8,070	7,089
GE Capital(a)	12,297	12,736	24,628	26,511
Home & Business Solutions(a)	2,250	2,169	4,190	4,093
Total segment revenues	36,898	38,566	72,803	76,394
Corporate items and eliminations	546	542	1,246	1,152
Consolidated revenues	$ 37,444	$ 39,108	$ 74,049	$ 77,546
Segment profit(b)				
Energy Infrastructure(a)	$ 1,910	$ 1,863	$ 3,391	$ 3,181
Technology Infrastructure(a)	1,554	1,743	2,957	3,445
NBC Universal	607	539	806	930
GE Capital(a)	830	431	1,437	1,460
Home & Business Solutions(a)	143	90	214	135
Total segment profit	5,044	4,666	8,805	9,151
Corporate items and eliminations	(331)	(538)	(626)	(955)
GE interest and other financial charges	(430)	(348)	(773)	(724)
GE provision for income taxes	(986)	(897)	(1,774)	(1,739)
Earnings from continuing operations attributable to the Company	3,297	2,883	5,632	5,733
Loss from discontinued operations, net of taxes, attributable to the Company	(188)	(194)	(578)	(215)
Consolidated net earnings attributable to the Company	$ 3,109	$ 2,689	$ 5,054	$ 5,518

(a) Effective January 1, 2010, we reorganized our segments. We have reclassified prior-period amounts to conform to the current-period presentation. See Note 1 for a description of the reorganization.

(b) Segment profit always excludes the effects of principal pension plans, results reported as discontinued operations, earnings attributable to noncontrolling interests of consolidated subsidiaries and accounting changes, and may exclude matters such as charges for restructuring; rationalization and other similar expenses; in-process research and development and certain other acquisition-related charges and balances; technology and product development costs; certain gains and losses from acquisitions or dispositions; and litigation settlements or other charges, responsibility for which preceded the current management team. Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment s management is measured excluded in determining segment profit, which we sometimes refer to as operating profit, for Energy Infrastructure, Technology Infrastructure, NBC Universal and Home & Business

Solutions; included in determining segment profit, which we sometimes refer to as "net earnings," for GE Capital.

See accompanying notes to condensed, consolidated financial statements.

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Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed, consolidated financial statements represent the consolidation of General Electric Company and all companies that we directly or indirectly control, either through majority ownership or otherwise. See Note 1 to the consolidated financial statements for the year ended December 31, 2009, included in our Form 8-K filed on May 6, 2010, which discusses our consolidation and financial statement presentation. As used in this report on Form 10-Q (Report) and in our 2009 consolidated financial statements, GE represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis; GECS consists of General Electric Capital Services, Inc. and all of its affiliates; and Consolidated represents the adding together of GE and GECS with the effects of transactions between the two eliminated.

Effective January 1, 2010, we reorganized our segments to better align our Consumer & Industrial and Energy businesses for growth. As a result of this reorganization, we created a new segment called Home & Business Solutions that includes the Appliances and Lighting businesses from our previous Consumer & Industrial segment and the retained portion of the GE Fanuc Intelligent Platforms business of our previous Enterprise Solutions business (formerly within our Technology Infrastructure segment). In addition, the Industrial business of our previous Consumer & Industrial segment and the Sensing & Inspection Technologies and Digital Energy businesses of our previous Enterprise Solutions business are now part of the Energy business within the Energy Infrastructure segment. The Security business of Enterprise Solutions is reported in Corporate Items and Eliminations for periods prior to its sale in the first quarter of 2010. Also, effective January 1, 2010, the Capital Finance segment was renamed GE Capital and includes all of the continuing operations of General Electric Capital Corporation (GECC). In addition, the Transportation Financial Services business, previously reported in GE Capital Aviation Services (GECAS), is now included in Commercial Lending and Leasing (CLL) and our Consumer business in Italy, previously reported in Consumer, is now included in CLL. GE includes Energy Infrastructure, Technology Infrastructure, NBC Universal (NBCU) and Home & Business Solutions. GECS includes GE Capital.

Beginning in the first quarter of 2010, we have included a separate line on the statement of cash flows for the effect of currency exchange rate changes on cash and equivalents. We had previously included the effect of currency exchange rate changes on cash and equivalents in All other operating activities for GE and All other investing activities for GECS, as the effect was insignificant.

We have reclassified certain prior-period amounts to conform to the current-period presentation. Unless otherwise indicated, information in these notes to condensed, consolidated financial statements relates to continuing operations.

Accounting Changes

On January 1, 2010, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2009-16 and ASU 2009-17, amendments to Accounting Standards Codification (ASC) 860, *Transfers and Servicing*, and ASC 810, *Consolidation*, respectively (ASU 2009-16 & 17). ASU 2009-16 eliminates the Qualified Special Purpose Entity (QSPE) concept, and ASU 2009-17 requires that all such entities be evaluated for consolidation as Variable Interest Entities (VIEs). Adoption of these amendments resulted in the consolidation of all of our sponsored QSPEs. In addition, we consolidated assets of VIEs related to direct investments in entities that hold loans and fixed income securities, a media joint venture and a small number of companies to which we have extended loans in the ordinary course of business and subsequently were subject to a troubled debt restructuring (TDR).

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We consolidated the assets and liabilities of these entities at amounts at which they would have been reported in our financial statements had we always consolidated them. We also deconsolidated certain entities where we did not meet the definition of the primary beneficiary under the revised guidance; however the effect was insignificant at January 1, 2010. The incremental effect on total assets and liabilities, net of our investment in these entities, was an increase of $31,097 million and $33,042 million, respectively, at January 1, 2010. The net reduction of total equity (including noncontrolling interests) was $1,945 million at January 1, 2010, principally related to the reversal of previously recognized securitization gains as a cumulative effect adjustment to retained earnings. See Note 16 for additional information.

The amended guidance on ASC 860 changed existing derecognition criteria in a manner that significantly narrows the types of transactions that will qualify as sales. The revised criteria apply to transfers of financial assets occurring after December 31, 2009.

Interim Period Presentation

The condensed, consolidated financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed, consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed, consolidated financial statements be read in conjunction with the financial statements and notes thereto included in our 2009 consolidated financial statements. We label our quarterly information using a calendar convention, that is, first quarter is labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our longstanding practice to establish interim quarterly closing dates using a fiscal calendar, which requires our businesses to close their books on either a Saturday or Sunday, depending on the business. The effects of this practice are modest and only exist within a reporting year. The fiscal closing calendar from 1993 through 2013 is available on our website, www.ge.com/secreports.

2. ASSETS AND LIABILITIES OF BUSINESSES HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets and Liabilities of Businesses Held for Sale

NBC Universal

On December 3, 2009, we entered into an agreement with Comcast Corporation to transfer the assets of the NBCU business to a newly formed entity, which will consist of our NBCU businesses and Comcast Corporation's cable networks, regional sports networks, certain digital properties and certain unconsolidated investments. Pursuant to the transaction, we currently expect to receive $6,400 million in cash ($7.1 billion less certain adjustments based on various events between contract signing and closing) and will own a 49% interest in the newly formed entity. The transaction is subject to receipt of various regulatory approvals and is expected to close within the next six months.

We also entered into an agreement whereby we will acquire approximately 38% of Vivendi s interest in NBCU for $2,000 million on September 26, 2010, if the transaction described above has not yet closed. Provided the transaction subsequently closes, we will acquire the remaining Vivendi NBCU interest for $3,578 million and make an additional payment of $222 million related to the previously purchased shares. If the entity formation transaction closes before September 26, 2010, we will purchase Vivendi s entire ownership interest in NBCU (20%) for $5,800 million.

Prior to the sale, NBCU will borrow approximately $9,100 million from third-party lenders and distribute the cash to us. We expect to realize approximately $7,900 million in cash after debt reduction, transaction fees and the buyout of the Vivendi interest in NBCU.

With respect to our 49% interest in the newly formed entity, we will hold redemption rights which, if exercised, cause the entity to purchase half of our ownership interest after 3.5 years and the remaining half after 7 years subject to certain exceptions, conditions and limitations. Our interest will also be subject to call provisions which, if exercised, allow Comcast Corporation to purchase our interest at specified times subject to certain exceptions. The redemption price for such transactions is determined pursuant to a formula specified in the agreement.

Subsequent to the close of the transaction, we will account for our 49% interest in the newly formed entity under the equity method.

On March 19, 2010, NBCU entered into a three-year credit agreement and a 364-day bridge loan agreement and on April 30, 2010, issued $4,000 million of senior, unsecured notes with maturities ranging from 2015 to 2040, in connection with the $9,100 million financing described above. If the transaction has not closed before June 10, 2011 or such earlier date as the master agreement governing the transaction is terminated, NBCU will redeem the senior, unsecured notes at a redemption price equal to 101% of the aggregate principal amount.

At June 30, 2010, NBCU assets and liabilities of $32,688 million and $10,103 million, respectively, were classified as held for sale. The major classes of assets are current receivables ($1,932 million), property, plant and equipment net ($1,939 million), goodwill and other intangible assets net ($22,212 million) and all other assets ($6,482 million), including film and television production costs of $4,379 million. The major classes of liabilities are accounts payable ($427 million), other GE current liabilities ($3,751 million), all other liabilities ($1,115 million) and long-term borrowings ($4,810 million).

At December 31, 2009, we classified the NBCU assets and liabilities of $32,150 million and $5,751 million, respectively, as held for sale. The major classes of assets are current receivables ($2,136 million), property, plant and equipment net ($1,805 million), goodwill and other intangible assets net ($21,574 million) and all other assets ($6,514 million), including film and television production costs of $4,507 million. The major classes of liabilities are accounts payable ($398 million), other GE current liabilities ($4,051 million) and all other liabilities ($1,300 million).

Other

On February 28, 2010, we completed the sale of our Security business for $1,787 million. Assets and liabilities of $1,780 million and $282 million, respectively, were classified as held for sale at December 31, 2009.

In June 2010, we committed to sell our GE Capital Consumer businesses in Indonesia and Argentina. Assets of $571 million and liabilities of $212 million were classified as held for sale at June 30, 2010.

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Summarized financial information for businesses held for sale is shown below.

(In millions)	June 30, 2010	December 31, 2009
Assets		
Cash and equivalents	$ 62	$
Current receivables	1,932	2,188
Financing receivables net	467	
Property, plant and equipment net	1,973	1,978
Goodwill	19,599	20,086
Other intangible assets net	2,639	2,866
All other assets	6,484	6,621
Other	133	372
Assets of businesses held for sale	$ 33,289	$ 34,111
Liabilities		
Accounts payable	$ 448	$ 451
Other GE current liabilities	3,755	4,139
All other liabilities	1,219	1,447
Long-term borrowings	4,810	2
Other	132	53
Liabilities of businesses held for sale	$ 10,364	$ 6,092

Discontinued Operations

Discontinued operations comprised GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC) and Plastics. Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

Summarized financial information for discontinued GECS operations is shown below.

(In millions)	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Total revenues	$ (2)	$ (2)	$ (3)	$ (8)
Loss from discontinued operations, net of taxes				
Loss from operations	$ (3)	$ (62)	$ (9)	$ (70)
Loss on disposal	(185)	(131)	(566)	(127)
Total loss from discontinued operations, net of taxes	$ (188)	$ (193)	$ (575)	$ (197)

Assets of GECS discontinued operations were $1,203 million and $1,470 million at June 30, 2010 and December 31, 2009, respectively, and primarily comprised a deferred tax asset for a loss carryforward, which expires in 2015, related to the sale of our GE Money Japan business. Liabilities of GECS discontinued operations were $1,214 million and $1,138 million at June 30, 2010 and December 31, 2009, respectively. During the first six months of 2010, we recorded incremental reserves of $566 million related to interest refund claims on the 2008 sale of GE Money Japan. During the first quarter of 2010, we also reduced tax reserves by $325 million related to resolution of an uncertain tax position in Japan, but were required to record an offsetting valuation allowance on our deferred tax asset in Japan.

(11)

GE Money Japan

During the third quarter of 2007, we committed to a plan to sell Lake upon determining that, despite restructuring, Japanese regulatory limits for interest charges on unsecured personal loans did not permit us to earn an acceptable return. During the third quarter of 2008, we completed the sale of GE Money Japan, which included Lake, along with our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd. As a result, we recognized an after-tax loss of $908 million in 2007 and an incremental loss in 2008 of $361 million. In connection with the sale, we reduced the proceeds on the sale for estimated interest refund claims in excess of the statutory interest rate. Proceeds from the sale may be increased or decreased based on the actual claims experienced in accordance with loss-sharing terms specified in the agreement, with all claims in excess of 258 billion Japanese Yen (approximately $2,900 million) remaining our responsibility. The underlying portfolio to which this obligation relates is in runoff and interest rates were capped for all designated accounts by mid-2009.

We update our estimate of our share of expected losses quarterly. We recorded a reserve of $132 million in the second quarter of 2009 for our estimated share of incremental losses under the loss-sharing provisions of the agreement based on our experience at that time. In the last several months, our overall claims experience has developed unfavorably. While the number of new claims continues to decline from 2009, the pace of the decline has been slower than expected and claims severity has increased. We believe that the level of excess interest refund claims has been impacted by the challenging global economic conditions, in addition to Japanese legislative and regulatory changes. During the first quarter of 2010, we accrued $380 million of incremental reserves for these claims. In the second quarter of 2010, we accrued an additional $186 million of reserves for these claims. As of June 30, 2010, our liability for reimbursement of claims in excess of the statutory interest rate was $697 million.

The amount of these reserves is based on analyses of recent and historical claims experience, pending and estimated future excess interest refund requests, the estimated percentage of customers who present valid requests, and our estimated payments related to those requests. We continue to monitor incoming claims activity relative to our expected claims levels. Our current expectations are that the pace of incoming claims continues to decelerate, average exposure per claim remains consistent with recent levels and we see the impact of our loss mitigation efforts. Estimating the pace of decline in incoming claims can have a significant impact on the total amount of our liability. For example, our current model assumes incoming claims continue to decline at a rate of 11% per month. June daily claims declined at a rate higher than assumed in our model. Holding all other assumptions constant, if claims were to decline at rates of 9%, 6% or 3% and we assume no impact from our loss mitigation efforts, our estimate of our liability would increase by approximately $100 million, $400 million and $1,200 million, respectively.

Uncertainties around the impact of laws and regulations, challenging economic conditions, the runoff status of the underlying book of business and the effects of our mitigation efforts make it difficult to develop a meaningful estimate of the aggregate possible claims exposure. Recent trends, including the effect of governmental actions, may continue to have an adverse effect on claims development. We will continue to review our estimated exposure quarterly, and make adjustments if required.

GE Money Japan revenues from discontinued operations were an insignificant amount in both the second quarter of 2010 and 2009 and both the first six months of 2010 and 2009, respectively. In total, GE Money Japan losses from discontinued operations, net of taxes, were $188 million and $136 million in the second quarters of 2010 and 2009, respectively, and $571 million and $132 million in the first six months of 2010 and 2009, respectively.

WMC

During the fourth quarter of 2007, we completed the sale of WMC, our U.S. mortgage business. WMC revenues from discontinued operations were $(2) million in both the second quarters of 2010 and 2009, and $(3) million and $(9) million in the first six months of 2010 and 2009, respectively. In total, WMC s earnings (loss) from discontinued operations, net of taxes, were $1 million and $(5) million in the second quarters of 2010 and 2009, respectively, and $(3) million and $(11) million in the first six months of 2010 and 2009, respectively.

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GE Industrial

GE industrial loss from discontinued operations, net of taxes, were $1 million in the second quarter of 2009 and $3 million and $18 million in the first six months of 2010 and 2009, respectively. There were no GE industrial losses from discontinued operations in the second quarter of 2010. The sum of GE industrial loss from discontinued operations, net of taxes, and GECS loss from discontinued operations, net of taxes, are reported as GE industrial loss from discontinued operations, net of taxes, on the Condensed Statement of Earnings.

Assets of GE industrial discontinued operations were $50 million at both June 30, 2010 and December 31, 2009. Liabilities of GE industrial discontinued operations were $167 million and $163 million at June 30, 2010, and December 31, 2009, respectively, and primarily represent taxes payable and pension liabilities related to the sale of our Plastics business in 2007.

3. INVESTMENT SECURITIES

Substantially all of our investment securities are classified as available-for-sale. These comprise mainly investment-grade debt securities supporting obligations to annuitants and policyholders in our run-off insurance operations and holders of guaranteed investment contracts (GICs) in Trinity (which ceased issuing new investment contracts beginning in the first quarter of 2010), and investment securities held at our global banks. None of our securities are classified as held to maturity.

	At							
	June 30, 2010				December 31, 2009			
(In millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
GE								
Debt U.S. corporate	$ 4	$	$	$ 4	$ 12	$ 4	$ (1)	$ 15
Equity available-for-sale	17			17	14	1		15
	21			21	26	5	(1)	30
GECS								
Debt								
U.S. corporate	21,914	1,691	(442)	23,163	23,410	981	(756)	23,635
State and municipal	2,876	108	(207)	2,777	2,006	34	(246)	1,794
Residential mortgage- backed(a)	3,455	123	(492)	3,086	4,005	79	(766)	3,318
Commercial mortgage-backed	2,993	144	(260)	2,877	3,053	89	(440)	2,702
Asset-backed	2,908	86	(235)	2,759	2,994	48	(305)	2,737
Corporate non-U.S.	2,301	99	(104)	2,296	1,831	59	(50)	1,840
Government non-U.S.	2,585	78	(43)	2,620	2,902	63	(29)	2,936
U.S. government and federal agency	1,380	66	(26)	1,420	2,628	46		2,674
Retained interests(b)	58	9	(26)	41	8,479	392	(40)	8,831
Equity								
Available-for-sale	540	123	(39)	624	489	242	(5)	726
Trading	420			420	720			720
	41,430	2,527	(1,874)	42,083	52,517	2,033	(2,637)	51,913
Eliminations	(2)			(2)	(2)			(2)
Total	$ 41,449	$ 2,527	$ (1,874)	$ 42,102	$ 52,541	$ 2,038	$ (2,638)	$ 51,941

(a) Substantially collateralized by U.S. mortgages. Of our total RMBS portfolio at June 30, 2010, $2,039 million relates to securities issued by government sponsored entities and $1,047 million relates to securities of private label issuers. Securities issued by private label issuers are collateralized primarily by pools of individual direct mortgage loans of individual financial institutions.

(b) Included $1,918 million of retained interests at December 31, 2009 accounted for at fair value in accordance with ASC 815, *Derivatives and Hedging*. See Note 16.

The fair value of investment securities decreased to $42,102 million at June 30, 2010, from $51,941 million at December 31, 2009, primarily driven by a decrease in retained interests as a result of our adoption of ASU 2009-16 & 17 and maturities, partially offset by improved market conditions.

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

	In loss position for			
	Less than 12 months		12 months or more	
(In millions)	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses
June 30, 2010				
Debt				
U.S. corporate	$ 1,373	$ (43)	$ 3,216	$ (399)
State and municipal	431	(23)	531	(184)
Residential mortgage-backed	692	(2)	1,356	(490)
Commercial mortgage-backed	366	(3)	1,327	(257)
Asset-backed	192	(22)	959	(213)
Corporate non-U.S.	486	(32)	726	(72)
Government non-U.S.	724	(3)	135	(40)
U.S. government and federal agency	250	(26)		
Retained interests			14	(26)
Equity	209	(38)	6	(1)
Total	$ 4,723	$ (192)	$ 8,270	$ (1,682)
December 31, 2009				
Debt				
U.S. corporate	$ 3,146	$ (88)	$ 4,881	$ (669)
State and municipal	592	(129)	535	(117)
Residential mortgage-backed	118	(14)	1,678	(752)
Commercial mortgage-backed	167	(5)	1,293	(435)
Asset-backed	126	(11)	1,342	(294)
Corporate non-U.S.	374	(18)	481	(32)
Government non-U.S.	399	(4)	224	(25)
U.S. government and federal agency				
Retained interests	208	(16)	27	(24)
Equity	92	(2)	10	(3)
Total	$ 5,222	$ (287)	$ 10,471	$ (2,351)

We adopted amendments to ASC 320 and recorded a cumulative effect adjustment to increase retained earnings as of April 1, 2009 of $62 million.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. We presently do not intend to sell our debt securities and believe that it is not more likely than not that we will be required to sell these securities that are in an unrealized loss position before recovery of our amortized cost. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. The methodologies and significant inputs used to measure the amount of credit loss for our investment securities during the first six months of 2010 have not changed from those described in our 2009 consolidated financial statements. See Note 3 in our 2009 consolidated financial statements, for additional information regarding these methodologies and inputs.

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During the second quarter of 2010, we recorded pre-tax, other-than-temporary impairments of $101 million, of which $56 million was recorded through earnings and $45 million was recorded in accumulated other comprehensive income (AOCI). At April 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were $381 million. During the second quarter, we recognized first time impairments of $36 million and incremental charges on previously impaired securities of $17 million. These amounts included $7 million related to securities that were subsequently sold.

During the six months of 2010, we recorded pre-tax, other-than-temporary impairments of $259 million, of which $135 million was recorded through earnings and $124 million was recorded in AOCI. At January 1, 2010, cumulative impairments recognized in earnings associated with debt securities still held were $340 million. During the first six months of 2010, we recognized first time impairments of $92 million and incremental charges on previously impaired securities of $35 million. These amounts included $39 million related to securities that were subsequently sold.

During the three months ended June 30, 2009, we recorded pre-tax, other-than-temporary impairments of $306 million, of which $205 million was recorded through earnings, and $101 million was recorded in AOCI. At April 1, 2009 cumulative impairments recognized in earnings associated with debt securities still held were $258 million. During the second quarter, we recognized first time impairments of $26 million and incremental charges on previously impaired securities of $150 million. There were no securities sold that had previously been impaired.

During the first six months ended June 30, 2009, we recognized impairments of $603 million. Of the $603 million, $33 million was reclassified to retained earnings at April 1, 2009, as a result of the amendments to ASC 320, *Investments Debt and Equity Securities*. Subsequent to April 1, 2009, first time and incremental credit impairments were $26 million and $150 million, respectively. There were no securities sold that had previously been impaired.

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

(In millions)	Amortized cost	Estimated fair value
Due in		
2010	$ 2,878	$ 2,907
2011-2014	6,221	6,420
2015-2019	4,202	4,245
2020 and later	17,755	18,704

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.

(In millions)	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
GE				
Gains	$	$	$	$
Losses, including impairments		(107)		(172)
Net		(107)		(172)
GECS				
Gains	40	35	133	59
Losses, including impairments	(62)	(115)	(144)	(354)
Net	(22)	(80)	(11)	(295)

Total	$ (22)	$ (187)	$ (11)	$ (467)

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Although we generally do not have the intent to sell any specific securities at the end of the period, in the ordinary course of managing our investment securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield and liquidity requirements and the funding of claims and obligations to policyholders. In some of our bank subsidiaries, we maintain a certain level of purchases and sales volume principally of non-U.S. government debt securities. In these situations, fair value approximates carrying value for these securities.

Proceeds from investment securities sales and early redemptions by the issuer totaled $3,641 million and $1,491 million in the second quarters of 2010 and 2009, respectively, and $7,588 million and $3,633 million in the first six months of 2010 and 2009, respectively, principally from the sales of short-term securities in our bank subsidiaries.

We recognized net pre-tax gains on trading securities of $4 million and $204 million in the second quarters of 2010 and 2009, respectively, and $19 million and $244 million in the first six months of 2010 and 2009, respectively.

4. INVENTORIES

Inventories consisted of the following.

(In millions)	At June 30, 2010	December 31, 2009
Raw materials and work in process	$ 6,894	$ 7,581
Finished goods	4,301	4,176
Unbilled shipments	664	759
	11,859	12,516
Less revaluation to LIFO	(493)	(529)
Total	$ 11,366	$ 11,987

5. GECS FINANCING RECEIVABLES AND ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES

GECS financing receivables net, consisted of the following.

(In millions)	At June 30, 2010	January 1, 2010(a)	December 31, 2009
Loans, net of deferred income	$ 294,016	$ 331,710	$ 290,586
Investment in financing leases, net of deferred income	48,339	55,209	54,445
	342,355	386,919	345,031
Less allowance for losses	(9,093)	(9,805)	(8,105)
Financing receivables net(b)	$ 333,262	$ 377,114	$ 336,926

(a) Reflects the effects of our adoption of ASU 2009-16 & 17 on January 1, 2010.

(b) Financing receivables at June 30, 2010 and December 31, 2009 included $1,621 million and $2,704 million, respectively, relating to loans that had been acquired in a transfer but have been subject to credit deterioration since origination per ASC 310, *Receivables*.

Effective January 1, 2009, loans acquired in a business acquisition are recorded at fair value, which incorporates our estimate at the acquisition date of the credit losses over the remaining life of the portfolio. As a result, the allowance for loan losses is not carried over at acquisition. This may result in lower reserve coverage ratios prospectively. Details of financing receivables net follow.

(In millions)	June 30, 2010	At January 1, 2010(a)	December 31, 2009
CLL(b)			
Americas	$ 93,042	$ 99,666	$ 87,496
Europe	36,067	43,403	41,455
Asia	11,914	13,159	13,202
Other	2,727	2,836	2,836
	143,750	159,064	144,989
Consumer(b)			
Non-U.S. residential mortgages	48,013	58,345	58,345
Non-U.S. installment and revolving credit	21,783	24,976	24,976
U.S. installment and revolving credit	42,946	47,171	23,190
Non-U.S. auto	10,012	13,344	13,344
Other	9,764	11,688	11,688
	132,518	155,524	131,543
Real Estate	44,006	48,673	44,841
Energy Financial Services	7,472	7,790	7,790
GECAS(b)	12,337	13,254	13,254
Other(c)	2,272	2,614	2,614
	342,355	386,919	345,031
Less allowance for losses	(9,093)	(9,805)	(8,105)
Total	$ 333,262	$ 377,114	$ 336,926

(a) Reflects the effects of our adoption of ASU 2009-16 & 17 on January 1, 2010.

(b) During the first quarter of 2010, we transferred the Transportation Financial Services business from GECAS to CLL and the Consumer business in Italy from Consumer to CLL. Prior-period amounts were reclassified to conform to the current-period presentation.

(c) Consisted of loans and financing leases related to certain consolidated, liquidating securitization entities.

Individually impaired loans are defined by U.S. generally accepted accounting principles (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. The

vast majority of our consumer and a portion of our CLL nonearning receivables are excluded from this definition, as they represent smaller balance homogeneous loans that we evaluate collectively by portfolio for impairment. An analysis of impaired loans and specific reserves follows.

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(In millions)	June 30, 2010	At January 1, 2010(a)	December 31, 2009
Loans requiring allowance for losses	$ 11,515	$ 9,541	$ 9,145
Loans expected to be fully recoverable	3,924	3,914	3,741
Total impaired loans	$ 15,439	$ 13,455	$ 12,886
Allowance for losses (specific reserves)	$ 3,033	$ 2,376	$ 2,331
Average investment during the period	14,182	(c)	8,493
Interest income earned while impaired(b)	206	(c)	227

(a) Reflects the effects of our adoption of ASU 2009-16 & 17 on January 1, 2010.
(b) Recognized principally on cash basis.
(c) Not applicable.

Impaired loans increased by $1,984 million from January 1, 2010, to June 30, 2010, primarily relating to increases at Real Estate. Impaired loans consolidated as a result of our adoption of ASU 2009-16 & 17 primarily related to our Consumer business. We regularly review our Real Estate loans for impairment using both quantitative and qualitative factors, such as debt service coverage and loan-to-value ratios. We classify Real Estate loans as impaired when the most recent valuation reflects a projected loan-to-value ratio at maturity in excess of 100%, even if the loan is currently paying in accordance with contractual terms. The increase in impaired loans and related specific reserves at Real Estate reflects our current estimate of collateral values of the underlying properties, and our estimate of loans which are not past due, but for which it is probable that we will be unable to collect the full principal balance at maturity due to a decline in the underlying value of the collateral. Of our $8,281 million impaired loans at Real Estate at June 30, 2010, $5,892 million are currently paying in accordance with the contractual terms of the loan. Impaired loans at CLL primarily represent senior secured lending positions.

Our loss mitigation strategy intends to minimize economic loss and, at times, can result in rate reductions, principal forgiveness, extensions, forbearance or other actions, which may cause the related loan to be classified as a TDR. Such loans are classified as impaired, and specific reserves are determined based upon the present value of expected future cash flows discounted at the loan s original effective interest rate, or collateral value as a practical expedient in accordance with the requirements of ASC 310-10-35. As of June 30, 2010, TDRs included in impaired loans were $5,942 million, primarily relating to Real Estate ($2,127 million), Consumer ($1,918 million) and CLL ($1,835 million). TDRs consolidated as a result of our adoption of ASU 2009-16 & 17 primarily related to our Consumer business ($364 million).

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GECS Allowance for Losses on Financing Receivables

(In millions)	Balance December 31, 2009	Adoption of ASU 2009-16 & 17 (a)	Balance January 1, 2010	Provision charged to operations	Other(b)	Gross write-offs	Recoveries	Balance June 30, 2010
CLL(c)								
Americas	$ 1,179	$ 66	$ 1,245	$ 630	$ (10)	$ (558)	$ 55	$ 1,362
Europe	575		575	137	(70)	(288)	28	382
Asia	244	(10)	234	108	(23)	(94)	9	234
Other	11		11	(1)	(2)			8
Consumer(c)								
Non-U.S. residential mortgages	949		949	184	(105)	(187)	51	892
Non-U.S. installment and revolving credit	1,181		1,181	652	(114)	(987)	288	1,020
U.S. installment and revolving credit	1,698	1,602	3,300	1,604	(1)	(2,400)	251	2,754
Non-U.S. auto	308		308	71	(43)	(204)	102	234
Other	300		300	165	(34)	(217)	43	257
Real Estate	1,494	42	1,536	645	(11)	(374)	1	1,797
Energy Financial Services	28		28	24	1			53
GECAS(c)	104		104	35		(89)		50
Other	34		34	18		(3)	1	50
Total	$ 8,105	$ 1,700	$ 9,805	$ 4,272	$ (412)	$ (5,401)	$ 829	$ 9,093

(a) Reflects the effects of our adoption of ASU 2009-16 & 17 on January 1, 2010.
(b) Other primarily included the effects of currency exchange.
(c) During the first quarter of 2010, we transferred the Transportation Financial Services business from GECAS to CLL and the Consumer business in Italy from Consumer to CLL. Prior-period amounts were reclassified to conform to the current-period presentation.

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(In millions)	Balance January 1, 2009	Provision charged to operations	Other(a)	Gross write-offs	Recoveries	Balance June 30, 2009
CLL(b)						
Americas	$ 843	$ 736	$ (33)	$ (457)	$ 44	$ 1,133
Europe	311	323		(192)	36	478
Asia	163	120	(6)	(85)	7	199
Other	4	3	2	(1)		8
Consumer(b)						
Non-U.S. residential mortgages	381	560	59	(231)	59	828
Non-U.S. installment and revolving credit	1,049	891	65	(1,092)	228	1,141
U.S. installment and revolving credit	1,700	1,729	(497)	(1,438)	81	1,575
Non-U.S. auto	203	242	26	(297)	90	264
Other	226	160	(16)	(163)	27	234
Real Estate	301	344	10	(85)		570
Energy Financial Services	58	32	2			92
GECAS(b)	58	1	(1)			58
Other	28	12	1	(14)		27
Total	$ 5,325	$ 5,153	$ (388)	$ (4,055)	$ 572	$ 6,607

(a) Other primarily included the effects of securitization activity and currency exchange.

(b) During the first quarter of 2010, we transferred the Transportation Financial Services business from GECAS to CLL and the Consumer business in Italy from Consumer to CLL. Prior-period amounts were reclassified to conform to the current-period presentation.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment net, consisted of the following.

(In millions)	At June 30, 2010	December 31, 2009
Original cost	$ 108,976	$ 113,315
Less accumulated depreciation and amortization	(43,618)	(44,103)
Property, plant and equipment net	$ 65,358	$ 69,212

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7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets net, consisted of the following.

(In millions)	At June 30, 2010	December 31, 2009
Goodwill	$ 63,094	$ 65,574
Other intangible assets		
Intangible assets subject to amortization	$ 10,842	$ 11,824
Indefinite-lived intangible assets(a)	104	105
Total	$ 10,946	$ 11,929

(a) Indefinite-lived intangible assets principally comprised trademarks and tradenames.

Changes in goodwill balances follow.

(In millions)	Balance January 1, 2010	Acquisitions	Dispositions, currency exchange and other	Balance June 30, 2010
Energy Infrastructure	$ 12,777	$	$ (340)	$ 12,437
Technology Infrastructure	22,648	13	(158)	22,503
GE Capital	28,961		(1,818)	27,143
Home & Business Solutions	1,188		(177)	1,011
Total	$ 65,574	$ 13	$ (2,493)	$ 63,094

Goodwill balances decreased $2,480 million during the first six months of 2010, primarily as a result of the stronger U.S. dollar ($1,780 million) and the deconsolidation of Regency Energy Partners L.P. (Regency) at GE Capital ($557 million).

On May 26, 2010, we sold our general partnership interest in Regency, a midstream natural gas services provider, and retained a 21% limited partnership interest. This resulted in the deconsolidation of Regency and the remeasurement of our limited partnership interest to fair value. We recorded a pre-tax gain of $119 million, which is reported in GECS revenues from services.

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Intangible Assets Subject to Amortization

	At					
	June 30, 2010			December 31, 2009		
(In millions)	Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer-related	$ 5,826	$ (1,523)	$ 4,303	$ 6,044	$ (1,392)	$ 4,652
Patents, licenses and trademarks	5,301	(2,404)	2,897	5,198	(2,177)	3,021
Capitalized software	6,491	(4,201)	2,290	6,549	(4,127)	2,422
Lease valuations	1,643	(831)	812	1,754	(793)	961
Present value of future profits	889	(452)	437	921	(470)	451
All other	399	(296)	103	745	(428)	317
Total	$ 20,549	$ (9,707)	$ 10,842	$ 21,211	$ (9,387)	$ 11,824

Consolidated amortization related to intangible assets subject to amortization was $452 million and $553 million for the three months ended June 30, 2010 and 2009, respectively. Consolidated amortization related to intangible assets subject to amortization for the six months ended June 30, 2010 and 2009, was $858 million and $1,013 million, respectively.

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8. GECS BORROWINGS AND BANK DEPOSITS

GECS borrowings are summarized in the following table.

(In millions)	At June 30, 2010	December 31, 2009
Short-term borrowings		
Commercial paper		
U.S.	$ 36,330	$ 37,775
Non-U.S.	9,647	9,525
Current portion of long-term borrowings(a)(b)(c)	63,000	69,883
GE Interest Plus notes(d)	8,354	7,541
Other(c)	3,680	6,413
GECS short-term borrowings	$ 121,011	$ 131,137
Long-term borrowings		
Senior unsecured notes(a)(b)	$ 269,641	$ 305,306
Subordinated notes(e)	2,411	2,686
Subordinated debentures(f)	6,952	7,647
Other(c)(g)	10,764	10,752
GECS long-term borrowings	$ 289,768	$ 326,391
Non-recourse borrowings of consolidated securitization entities(h)	$ 33,411	$ 3,883
Bank deposits(i)	$ 37,471	$ 38,923
Total borrowings and bank deposits	$ 481,661	$ 500,334

(a) GECC had issued and outstanding $58,045 million and $59,336 million of senior, unsecured debt that was guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program at June 30, 2010 and December 31, 2009, respectively. Of the above amounts $13,000 million and $5,841 million is included in current portion of long-term borrowings at June 30, 2010 and December 31, 2009, respectively.

(b) Included in total long-term borrowings was $2,624 million and $3,138 million of obligations to holders of guaranteed investment contracts at June 30, 2010 and December 31, 2009, respectively. GECC could be required to repay up to approximately $2,500 million if its long-term credit rating were to fall below AA /Aa3 or its short-term credit rating were to fall below A 1+/P 1.

(c) Included $10,400 million and $10,604 million of secured funding at June 30, 2010 and December 31, 2009, respectively, of which $3,795 million and $5,667 million is non-recourse to GECS at June 30, 2010 and December 31, 2009, respectively.

(d) Entirely variable denomination floating rate demand notes.

(e) Included $417 million of subordinated notes guaranteed by GE at both June 30, 2010 and December 31, 2009.

(f) Subordinated debentures receive rating agency equity credit and were hedged at issuance to the U.S. dollar equivalent of $7,725 million.

(g)

Included $1,533 million and $1,649 million of covered bonds at June 30, 2010 and December 31, 2009, respectively. If the short-term credit rating of GECC were reduced below A 1/P 1, GECC would be required to partially cash collateralize these bonds in an amount up to $707 million.

(h) Included at June 30, 2010 was $2,100 million of commercial paper, $11,674 million of current portion of long-term borrowings and $19,637 million of long-term borrowings related to former QSPEs consolidated on January 1, 2010 upon our adoption of ASU 2009-16 & 17, previously consolidated liquidating securitization entities and other on-book securitization borrowings. Included at December 31, 2009, was $2,424 million of commercial paper, $378 million of current portion of long-term borrowings and $1,081 million of long-term borrowings issued by consolidated liquidating securitization entities. See Note 16.

(i) Included $19,816 million and $21,252 million of deposits in non-U.S. banks at June 30, 2010 and December 31, 2009, respectively, and $10,882 million and $10,476 million of certificates of deposits distributed by brokers with maturities greater than one year at June 30, 2010 and December 31, 2009, respectively.

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9. POSTRETIREMENT BENEFIT PLANS

We sponsor a number of pension and retiree health and life insurance benefit plans. Principal pension plans include the GE Pension Plan and the GE Supplementary Pension Plan. Principal retiree benefit plans generally provide health and life insurance benefits to employees who retire under the GE Pension Plan with 10 or more years of service. Other pension plans include the U.S. and non-U.S. pension plans with pension assets or obligations greater than $50 million. Smaller pension plans and other retiree benefit plans are not material individually or in the aggregate. The effect on operations of the pension plans follows.

	Principal Pension Plans			
	Three months ended June 30		Six months ended June 30	
(In millions)	2010	2009	2010	2009
Expected return on plan assets	$ (1,084)	$ (1,127)	$ (2,170)	$ (2,253)
Service cost for benefits earned	277	336	569	689
Interest cost on benefit obligation	667	665	1,342	1,334
Prior service cost amortization	59	80	119	161
Net actuarial loss amortization	329	83	662	173
Pension plans cost	$ 248	$ 37	$ 522	$ 104

	Other Pension Plans			
	Three months ended June 30		Six months ended June 30	
(In millions)	2010	2009	2010	2009
Expected return on plan assets	$ (124)	$ (105)	$ (254)	$ (211)
Service cost for benefits earned	62	82	144	165
Interest cost on benefit obligation	120	109	244	221
Prior service cost amortization	4	3	8	5
Net actuarial loss amortization	52	27	111	56
Pension plans cost	$ 114	$ 116	$ 253	$ 236

The effect on operations of principal retiree health and life insurance plans follows.

	Principal Retiree Health and Life Insurance Plans			
	Three months ended June 30		Six months ended June 30	
(In millions)	2010	2009	2010	2009
Expected return on plan assets	$ (29)	$ (32)	$ (58)	$ (64)
Service cost for benefits earned	54	85	112	159
Interest cost on benefit obligation	175	177	350	354
Prior service cost amortization	158	168	316	336
Net actuarial gain amortization	(6)	(27)	(12)	(54)
Retiree benefit plans cost	$ 352	$ 371	$ 708	$ 731

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10. INCOME TAXES

The balance of unrecognized tax benefits, the amount of related interest and penalties we have provided and what we believe to be the range of reasonably possible changes in the next 12 months, were:

	At	
(In millions)	**June 30, 2010**	**December 31, 2009**
Unrecognized tax benefits	$ 6,862	$ 7,251
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	4,648	4,918
Accrued interest on unrecognized tax benefits	1,498	1,369
Accrued penalties on unrecognized tax benefits	99	99
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	0-2,100	0-1,800
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	0-1,600	0-1,400

(a) Some portion of such reduction may be reported as discontinued operations.

The IRS is currently auditing our consolidated income tax returns for 2003-2007. In addition, certain other U.S. tax deficiency issues and refund claims for previous years remain unresolved. It is reasonably possible that the 2003-2005 U.S. audit cycle will be completed during the next 12 months, which could result in a decrease in our balance of unrecognized tax benefits that is, the aggregate tax effect of differences between tax return positions and the benefits recognized in our financial statements. We believe that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. We further believe that we have made adequate provision for all income tax uncertainties.

GE and GECS file a consolidated U.S. federal income tax return. The GECS provision for current tax expense includes its effect on the consolidated return. The effect of GECS on the consolidated liability is generally settled in cash as GE tax payments are due. The effect of GECS on the amount of the consolidated tax liability from the formation of the NBCU joint venture will be settled in cash when it otherwise would have reduced the liability of the group absent the tax on formation.

During the first quarter of 2009, following the change in our external credit ratings, funding actions taken and review of our operations, liquidity and funding, we determined that undistributed prior-year earnings of non-U.S. subsidiaries of GECS, on which we had previously provided deferred U.S. taxes, would be indefinitely reinvested outside the U.S. This change increased the amount of prior-year earnings indefinitely reinvested outside the U.S. by approximately $2 billion, resulting in an income tax benefit of $700 million in the first quarter of 2009.

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11. SHAREOWNERS EQUITY

A summary of increases (decreases) in GE shareowners equity that did not result directly from transactions with shareowners, net of income taxes, follows.

(In millions)	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Net earnings attributable to the Company	$ 3,109	$ 2,689	$ 5,054	$ 5,518
Investment securities net	633	1,553	726	918
Currency translation adjustments net	(4,743)	6,545	(7,155)	2,485
Cash flow hedges net	42	688	444	1,405
Benefit plans net	526	240	924	479
Total	$ (433)	$ 11,715	$ (7)	$ 10,805

On January 1, 2010, we adopted ASU 2009-16 & 17. This resulted in a reduction of GE shareowners equity primarily related to the reversal of a portion of previously recognized securitization gains. This adjustment is reflected as a cumulative effect adjustment of the opening balances of retained earnings ($1,708 million) and accumulated other comprehensive income ($265 million). See Notes 1 and 16 for additional information.

Changes to noncontrolling interests during the second quarter of 2010 resulted from net earnings $105 million, dividends $(74) million, the effects of deconsolidating Regency $(979) million, AOCI $(48) million and other $31 million. Changes to the individual components of AOCI attributable to noncontrolling interests were insignificant.

Changes to noncontrolling interests during the first six months of 2010 resulted from net earnings $166 million, dividends $(259) million, the effects of deconsolidating Regency $(979) million, AOCI $(47) million and other $65 million. Changes to the individual components of AOCI attributable to noncontrolling interests were insignificant.

Changes to noncontrolling interests during the second quarter of 2009 resulted from net earnings $12 million, dividends $(93) million, AOCI $29 million and other $(12) million. Changes to the individual components of AOCI attributable to noncontrolling interests were insignificant.

Changes to noncontrolling interests during the first six months of 2009 resulted from net earnings $97 million, dividends $(292) million, the effects of deconsolidating Penske Truck Leasing Co., L.P. (PTL) $(331) million, AOCI $(4) million and other $(24) million. Changes to the individual components of AOCI attributable to noncontrolling interests were insignificant.

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12. GECS REVENUES FROM SERVICES

GECS revenues from services are summarized in the following table.

(In millions)	Three months ended June 30 2010	Three months ended June 30 2009	Six months ended June 30 2010	Six months ended June 30 2009
Interest on loans(a)	$ 5,604	$ 5,080	$ 11,330	$ 10,180
Equipment leased to others	2,769	2,927	5,530	6,412
Fees(a)	1,224	1,099	2,489	2,259
Investment income(a)(b)	518	993	1,086	1,658
Financing leases(a)	703	830	1,459	1,738
Premiums earned by insurance activities	490	500	979	1,010
Net securitization gains(a)		394		720
Real estate investments	354	371	631	718
Associated companies	460	309	1,057	474
Other items(c)(d)	858	749	1,309	2,267
Total	$ 12,980	$ 13,252	$ 25,870	$ 27,436

(a) On January 1, 2010, we adopted ASU 2009-16 & 17 which required us to consolidate substantially all of our former QSPEs. As a result, 2010 GECS Revenues from services include interest and fee income from these entities, which were not presented on a consolidated basis in 2009. Also beginning in 2010, we no longer record gains for substantially all of our securitizations as they are recorded as on-book financings. See Note 16.

(b) Included net other-than-temporary impairments on investment securities of $56 million and $97 million in the second quarters of 2010 and 2009, respectively, and $135 million and $329 million in the first six months of 2010 and 2009, respectively. See Note 3.

(c) Included a gain on the sale of a limited partnership interest in PTL and a related gain on the remeasurement of the retained investment to fair value totaling $296 million in the first quarter of 2009.

(d) Including a gain of $343 million on the remeasurement to fair value of our equity method investment in BAC Credomatic GECF Inc. (BAC), following our acquisition of a controlling interest in the second quarter of 2009.

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13. EARNINGS PER SHARE INFORMATION

GE s authorized common stock consists of 13,200,000,000 shares having a par value of $0.06 each. Information related to the calculation of earnings per share follows.

(In millions; per-share amounts in dollars)	Three months ended June 30 2010 Diluted	2010 Basic	2009 Diluted	2009 Basic
Amounts attributable to the Company:				
Consolidated				
Earnings from continuing operations for per-share calculation(a)	$ 3,273	$ 3,273	$ 2,876	$ 2,876
Preferred stock dividends declared	(75)	(75)	(75)	(75)
Earnings from continuing operations attributable to common shareowners for per-share calculation	$ 3,198	$ 3,198	$ 2,801	$ 2,801
Loss from discontinued operations for per-share calculation	(188)	(188)	(194)	(194)
Net earnings attributable to GE common shareowners for per-share calculation	3,011	3,011	2,607	2,607
Average equivalent shares				
Shares of GE common stock outstanding	10,685	10,685	10,609	10,609
Employee compensation-related shares, including stock options	17			
Total average equivalent shares	10,702	10,685	10,609	10,609
Per-share amounts				
Earnings from continuing operations	$ 0.30	$ 0.30	$ 0.26	$ 0.26
Loss from discontinued operations	(0.02)	(0.02)	(0.02)	(0.02)
Net earnings	0.28	0.28	0.25	0.25

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(In millions; per-share amounts in dollars)	Six months ended June 30 2010 Diluted	Basic	2009 Diluted	Basic
Amounts attributable to the Company:				
Consolidated				
Earnings from continuing operations for per-share calculation(a)	$ 5,590	$ 5,589	$ 5,718	$ 5,717
Preferred stock dividends declared	(150)	(150)	(150)	(150)
Earnings from continuing operations attributable to common shareowners for per-share calculation	$ 5,440	$ 5,439	$ 5,568	$ 5,567
Loss from discontinued operations for per-share calculation	(578)	(578)	(215)	(215)
Net earnings attributable to GE common shareowners for per-share calculation	4,863	4,863	5,353	5,353
Average equivalent shares				
Shares of GE common stock outstanding	10,678	10,678	10,585	10,585
Employee compensation-related shares, including stock options	16			
Total average equivalent shares	10,694	10,678	10,585	10,585
Per-share amounts				
Earnings from continuing operations	$ 0.51	$ 0.51	$ 0.53	$ 0.53
Loss from discontinued operations	(0.05)	(0.05)	(0.02)	(0.02)
Net earnings	0.45	0.46	0.51	0.51

(a) Included an insignificant amount of dividend equivalents in each of the periods presented and an insignificant amount related to accretion of redeemable securities for the three and six months ended June 30, 2010.

For the three and six months ended June 30, 2010 and 2009, there were approximately 309 million and 311 million, respectively, and 337 million and 342 million, respectively, of outstanding stock awards that were not included in the computation of diluted earnings per share because their effect was anti-dilutive.

Earnings-per-share amounts are computed independently for earnings from continuing operations, loss from discontinued operations and net earnings. As a result, the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amounts for net earnings.

14. FAIR VALUE MEASUREMENTS

For a description on how we estimate fair value, see Note 1 in our 2009 consolidated financial statements for information.

The following tables present our assets and liabilities measured at fair value on a recurring basis. Included in the tables are investment securities of $27,329 million and $25,729 million at June 30, 2010 and December 31, 2009, respectively, primarily supporting obligations to annuitants and policyholders in our run-off insurance operations, and $6,168 million and $6,629 million at June 30, 2010 and December 31, 2009, respectively, supporting obligations to holders of GICs in Trinity (which ceased issuing new investment contracts beginning in the first quarter of 2010), and investment securities held at our global banks. Such securities are mainly investment-grade.

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(In millions)	Level 1(a)	Level 2(a)	Level 3(b)	Netting adjustment(c)	Net balance
June 30, 2010					
Assets					
Investment securities					
Debt					
U.S. corporate	$ 185	$ 19,673	$ 3,309	$	$ 23,167
State and municipal		2,539	238		2,777
Residential mortgage-backed		2,955	131		3,086
Commercial mortgage-backed		2,825	52		2,877
Asset-backed		874	1,885		2,759
Corporate non-U.S.	137	1,074	1,085		2,296
Government non-U.S.	934	1,543	143		2,620
U.S. government and federal agency	47	1,120	253		1,420
Retained interests(d)			41		41
Equity					
Available-for-sale	471	151	17		639
Trading	420				420
Derivatives(e)		12,118	707	(4,839)	7,986
Other(f)			897		897
Total	$ 2,194	$ 44,872	$ 8,758	$ (4,839)	$ 50,985
Liabilities					
Derivatives	$	$ 6,930	$ 491	$ (4,848)	$ 2,573
Other(g)		759			759
Total	$	$ 7,689	$ 491	$ (4,848)	$ 3,332
December 31, 2009					
Assets					
Investment securities					
Debt					
U.S. corporate	$ 723	$ 19,669	$ 3,258	$	$ 23,650
State and municipal		1,621	173		1,794
Residential mortgage-backed		3,195	123		3,318
Commercial mortgage-backed		2,647	55		2,702
Asset-backed		860	1,877		2,737
Corporate non-U.S.	159	692	989		1,840
Government non-U.S.	1,277	1,483	176		2,936
U.S. government and federal agency	85	2,307	282		2,674
Retained interests			8,831		8,831
Equity					
Available-for-sale	536	184	19		739
Trading	720				720
Derivatives(e)		11,056	804	(3,851)	8,009
Other(f)			1,006		1,006
Total	$ 3,500	$ 43,714	$ 17,593	$ (3,851)	$ 60,956
Liabilities					
Derivatives	$	$ 7,295	$ 222	$ (3,860)	$ 3,657
Other(g)		798			798
Total	$	$ 8,093	$ 222	$ (3,860)	$ 4,455

(a) Transfers between Level 1 and 2 were insignificant.
(b) Level 3 investment securities valued using non-binding broker quotes totaled $748 million and $1,055 million at June 30, 2010 and December 31, 2009, respectively, and were classified as available-for-sale securities.
(c) The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Included fair value adjustments related to our own and counterparty credit risk.
(d) Substantially all of our retained interests were consolidated in connection with our adoption of ASU 2009-16 & 17 on January 1, 2010.
(e) The fair value of derivatives included an adjustment for non-performance risk. At both June 30, 2010 and December 31, 2009, the cumulative adjustment was a gain $9 million. See Note 15 for additional information on the composition of our derivative portfolio.
(f) Included private equity investments and loans designated under the fair value option.
(g) Primarily represented the liability associated with certain of our deferred incentive compensation plans.

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The following tables present the changes in Level 3 instruments measured on a recurring basis for the three months ended June 30, 2010 and 2009 and the six months ended June 30, 2010 and 2009. The majority of our Level 3 balances consist of investment securities classified as available-for-sale with changes in fair value recorded in shareowners equity.

Changes in Level 3 Instruments for the Three Months Ended June 30, 2010

(In millions)	April 1, 2010	Net realized/ unrealized gains(losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases, issuances and settlements	Transfers in and/or out of Level 3(b)	June 30, 2010	Net change in unrealized gains (losses) relating to instruments still held at June 30, 2010 (c)
Investment securities							
Debt							
U.S. corporate	$ 2,997	$ 16	$ 31	$ 271	$ (6)	$ 3,309	$
State and municipal	243		(5)			238	
Residential mortgage-backed	133		(7)	(1)	6	131	
Commercial mortgage-backed	116		(5)	(62)	3	52	
Asset-backed	1,862	12	4	78	(71)	1,885	
Corporate non-U.S.	1,203	2	(57)	(26)	(37)	1,085	(7)
Government non-U.S.	148		(21)	16		143	
U.S. government and federal agency	269		(15)	(1)		253	
Retained interests	43	(1)	1	(2)		41	
Equity							
Available-for-sale	19		(1)		(1)	17	1
Trading							
Derivatives(d)	200	55	5	6		266	61
Other	896	(10)	(45)	28	28	897	(10)
Total	$ 8,129	$ 74	$ (115)	$ 307	$ (78)	$ 8,317	$ 45

(a) Earnings effects are primarily included in the GECS revenues from services and Interest and other financial charges captions in the Condensed Statement of Earnings.

(b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.

(c) Represented the amount of unrealized gains or losses for the period included in earnings.

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $50 million not reflected in the fair value hierarchy table.

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Changes in Level 3 Instruments for the Three Months Ended June 30, 2009

(In millions)	April 1, 2009	Net realized/ unrealized gains(losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases, issuances and settlements	Transfers in and/or out of Level 3(b)	June 30, 2009	Net change in unrealized gains (losses) relating to instruments still held at June 30, 2009(c)
Investment securities							
Debt							
U.S. corporate	$ 2,744	$ (66)	$ 199	$ 24	$ 24	$ 2,925	$ 2
State and municipal	90	(1)	44	(1)	25	157	
Residential mortgage-backed	106				(44)	62	
Commercial mortgage-backed	58				(8)	50	
Asset-backed	1,580	2	124	122	(14)	1,814	
Corporate non-U.S.	595	(4)	96	(36)	(12)	639	
Government non-U.S.	128		15	3	(3)	143	
U.S. government and federal agency	145		121			266	
Retained interests	6,444	351	126	604		7,525	124
Equity							
Available-for-sale	16		3	(2)	1	18	
Trading							
Derivatives(d)(e)	926	(15)	(22)	(110)	10	789	(103)
Other	1,062	(109)	28	50		1,031	(110)
Total	$ 13,894	$ 158	$ 734	$ 654	$ (21)	$ 15,419	$ (87)

(a) Earnings effects are primarily included in the GECS revenues from services and Interest and other financial charges captions in the Condensed Statement of Earnings.
(b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.
(c) Represented the amount of unrealized gains or losses for the period included in earnings.
(d Losses from derivatives were more than offset by $66 million in gains from related derivatives included in Level 2 and $5 million in gains from qualifying fair value hedges.
(e) Represented derivative assets net of derivative liabilities and included cash accruals of $57 million not reflected in the fair value hierarchy table.

(32)

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Changes in Level 3 Instruments for the Six Months Ended June 30, 2010

(In millions)	January 1, 2010 (a)	Net realized/ unrealized gains(losses) included in earnings(b)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases, issuances and settlements	Transfers in and/or out of Level 3(c)	June 30, 2010	Net change in unrealized gains (losses) relating to instruments still held at June 30, 2010 (d)
Investment securities							
Debt							
U.S. corporate	$ 3,258	$ 32	$ 82	$ (57)	$ (6)	$ 3,309	$
State and municipal	173		69	(4)		238	
Residential mortgage-backed	123		10	(1)	(1)	131	
Commercial mortgage-backed	1,038	30	(3)	(1,013)		52	
Asset-backed	1,872	21	27	62	(97)	1,885	
Corporate non-U.S.	1,206	(2)	(77)	153	(195)	1,085	(20)
Government non-U.S.	176		(23)	15	(25)	143	
U.S. government and federal agency	282		(27)	(2)		253	
Retained interests	45	(1)	2	(5)		41	
Equity							
Available-for-sale	19		(1)		(1)	17	1
Trading							
Derivatives(e)	236	143	(2)	(51)	(60)	266	88
Other	960	(25)	(68)	30		897	(19)
Total	$ 9,388	$ 198	$ (11)	$ (873)	$ (385)	$ 8,317	$ 50

(a) Included $1,015 million in debt securities, a reduction in retained interests of $8,782 million and a reduction in derivatives of $365 million related to adoption of ASU 2009-16 & 17.

(b) Earnings effects are primarily included in the GECS revenues from services and Interest and other financial charges captions in the Condensed Statement of Earnings.

(c) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.

(d) Represented the amount of unrealized gains or losses for the period included in earnings.

(e) Represented derivative assets net of derivative liabilities and included cash accruals of $50 million not reflected in the fair value hierarchy table.

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Changes in Level 3 Instruments for the Six Months Ended June 30, 2009

(In millions)	January 1, 2009	Net realized/ unrealized gains(losses) included in earnings(a)	Net realized/ unrealized gains (losses) included in accumulated other comprehensive income	Purchases, issuances and settlements	Transfers in and/or out of Level 3(b)	June 30, 2009	Net change in unrealized gains (losses) relating to instruments still held at June 30, 2009 (c)
Investment securities							
Debt							
U.S. corporate	$ 3,220	$ (118)	$ 62	$ (60)	$ (179)	$ 2,925	$ 3
State and municipal	247		(107)	(8)	25	157	
Residential mortgage-backed	173		(15)	(20)	(76)	62	
Commercial mortgage-backed	66		(8)		(8)	50	
Asset-backed	1,605	9	227	114	(141)	1,814	
Corporate non-U.S.	659	(13)	15	35	(57)	639	
Government non-U.S.	424		(4)	3	(280)	143	
U.S. government and federal agency	183		84	(1)		266	
Retained interests	6,356	649	170	350		7,525	198
Equity							
Available-for-sale	23	(1)	3	(2)	(5)	18	
Trading							
Derivatives(d)	1,003	9	(65)	(173)	15	789	(112)
Other	1,105	(137)	11	45	7	1,031	(144)
Total	$ 15,064	$ 398	$ 373	$ 283	$ (699)	$ 15,419	$ (55)

(a) Earnings effects are primarily included in the GECS revenues from services and Interest and other financial charges captions in the Condensed Statement of Earnings.

(b) Transfers in and out of Level 3 are considered to occur at the beginning of the period. Transfers out of Level 3 were a result of increased use of quotes from independent pricing vendors based on recent trading activity.

(c) Represented the amount of unrealized gains or losses for the period included in earnings.

(d) Represented derivative assets net of derivative liabilities and included cash accruals of $57 million not reflected in the fair value hierarchy table.

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Non-Recurring Fair Value Measurements

The following table represents non-recurring fair value amounts (as measured at the time of the adjustment) for those assets remeasured to fair value on a non-recurring basis during the fiscal year and still held at June 30, 2010 and at December 31, 2009.

(In millions)	Remeasured during the six months ended June 30, 2010		Remeasured during the year ended December 31, 2009	
	Level 2	Level 3	Level 2	Level 3
Financing receivables and loans held for sale	$ 138	$ 7,170	$ 81	$ 5,420
Cost and equity method investments(a)		504		1,006
Long-lived assets, including real estate	294	4,907	435	5,105
Retained investment in formerly consolidated subsidiaries(b)		113		5,903
Total	$ 432	$ 12,694	$ 516	$ 17,434

(a) Includes the fair value of private equity and real estate funds included in Level 3 of $113 million and $409 million at June 30, 2010 and December 31, 2009, respectively.

(b) During the first six months ended June 30, 2010, we had a retained investment in Regency, a formerly consolidated subsidiary, in Level 1 that was remeasured to a fair value of $549 million.

The following table represents the fair value adjustments to assets measured at fair value on a non-recurring basis and still held at June 30, 2010 and June 30, 2009.

(In millions)	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Financing receivables and loans held for sale	$ (684)	$ (430)	$ (1,211)	$ (717)
Cost and equity method investments(a)	(40)	(266)	(94)	(492)
Long-lived assets, including real estate	(747)	(189)	(1,348)	(321)
Retained investments in formerly consolidated subsidiaries	183	11	183	237
Total	$ (1,288)	$ (874)	$ (2,470)	$ (1,293)

(a) Includes fair value adjustments associated with private equity and real estate funds of $13 million and $74 million in the second quarters of 2010 and 2009, respectively, and $26 million and $171 million in the first six months of 2010 and 2009, respectively.

15. FINANCIAL INSTRUMENTS

The following table provides information about the assets and liabilities not carried at fair value in our Condensed Statement of Financial Position. Consistent with ASC 825, *Financial Instruments*, the table excludes financing leases and non-financial assets and liabilities. Apart from certain of our borrowings and certain marketable securities, few of the instruments identified below are actively traded and their fair values must often be determined using financial models. Realization of the fair value of these instruments depends upon market forces beyond our control, including marketplace liquidity. For a description on how we estimate fair value, see Note 22 in our 2009 consolidated financial statements.

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	At					
	June 30, 2010 Assets (liabilities)			December 31, 2009 Assets (liabilities)		
(In millions)	Notional amount	Carrying amount (net)	Estimated fair value	Notional amount	Carrying amount (net)	Estimated fair value
GE						
Assets						
Investments and notes receivable	$ (a)	$ 400	$ 400	$ (a)	$ 412	$ 412
Liabilities						
Borrowings	(a)	(9,906)	(10,783)	(a)	(12,185)	(12,757)
GECS						
Assets						
Loans(b)	(a)	285,409	279,746	(a)	283,135	269,283
Other commercial mortgages	(a)	1,062	1,149	(a)	1,151	1,198
Loans held for sale	(a)	265	271	(a)	1,303	1,343
Other financial instruments(c)	(a)	2,082	2,493	(a)	2,096	2,385
Liabilities						
Borrowings and bank deposits(b)(d)	(a)	(481,661)	(487,574)	(a)	(500,334)	(506,148)
Investment contract benefits	(a)	(3,837)	(4,456)	(a)	(3,940)	(4,397)
Guaranteed investment contracts	(a)	(7,145)	(6,870)	(a)	(8,310)	(8,394)
Insurance credit life(e)	1,574	(80)	(54)	1,595	(80)	(53)

(a) These financial instruments do not have notional amounts.
(b) Amounts at June 30, 2010 reflect our adoption of ASU 2009-16 & 17 on January 1, 2010. See Notes 5, 8 and 16.
(c) Principally cost method investments.
(d) Fair values exclude interest rate and currency derivatives designated as hedges of borrowings. Had they been included, the fair value of borrowings at June 30, 2010 and December 31, 2009 would have been reduced by $3,844 million and $2,856 million, respectively.
(e) Net of reinsurance of $2,600 million and $2,800 million at June 30, 2010 and December 31, 2009, respectively.

Loan Commitments

	Notional amount at	
(in millions)	June 30, 2010	December 31, 2009
Ordinary course of business lending commitments (a)(b)	$ 5,231	$ 6,676
Unused revolving credit lines(c)		
Commercial	29,556	31,803
Consumer principally credit cards	255,602	231,880

(a) Excluded investment commitments of $2,687 million and $2,659 million as of June 30, 2010 and December 31, 2009, respectively.
(b) Included a $920 million and $972 million commitment as of June 30, 2010 and December 31, 2009, respectively, associated with a secured financing arrangement that can increase to a maximum of $5,000 million and $4,998 million based on the asset volume under the arrangement as of June 30, 2010 and December 31, 2009, respectively.

(c) Excluded inventory financing arrangements, which may be withdrawn at our option, of $12,890 million and $13,889 million as of June 30, 2010 and December 31, 2009, respectively.

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Derivatives and hedging

As a matter of policy, we use derivatives for risk management purposes, and we do not use derivatives for speculative purposes. A key risk management objective for our financial services businesses is to mitigate interest rate and currency risk by seeking to ensure that the characteristics of the debt match the assets they are funding. If the form (fixed versus floating) and currency denomination of the debt we issue do not match the related assets, we typically execute derivatives to adjust the nature and tenor of funding to meet this objective. The determination of whether we enter into a derivative transaction or issue debt directly to achieve this objective depends on a number of factors, including customer needs for specific types of financing, and market related factors that affect the type of debt we can issue.

Of the outstanding notional amount of $313,000 million at June 30, 2010, approximately 86% or $268,000 million, is associated with reducing or eliminating the interest rate, currency or market risk between financial assets and liabilities in our financial services businesses. The remaining derivative activities primarily relate to hedging against adverse changes in currency exchange rates and commodity prices related to anticipated sales and purchases, providing certain derivatives and/or support arrangements to our customers, and contracts containing certain clauses which meet the accounting definition of a derivative. The instruments used in these activities are designated as hedges when practicable. In certain cases, the hedged item is already recorded in earnings currently, such as when we hedge a recognized foreign currency transaction (e.g., a receivable or payable) with a derivative. In such instances, hedge accounting is not necessary and the derivatives are classified as freestanding.

The following table provides information about the fair value of our derivatives, by contract type, separating those accounted for as hedges and those that are not.

	At June 30, 2010 Fair value		At December 31, 2009 Fair value	
(In millions)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives accounted for as hedges				
Interest rate contracts	$ 6,675	$ 2,542	$ 4,477	$ 3,469
Currency exchange contracts	3,717	2,844	4,273	2,361
Other contracts	5	1	16	4
	10,397	5,387	8,766	5,834
Derivatives not accounted for as hedges				
Interest rate contracts	425	700	977	889
Currency exchange contracts	1,607	1,274	1,639	658
Other contracts	396	60	478	136
	2,428	2,034	3,094	1,683
Netting adjustment(a)	(4,839)	(4,848)	(3,851)	(3,860)
Total	$ 7,986	$ 2,573	$ 8,009	$ 3,657

Derivatives are classified in the captions All other assets and All other liabilities in our financial statements.

(a)

The netting of derivative receivables and payables is permitted when a legally enforceable master netting agreement exists. Amounts included fair value adjustments related to our own and counterparty non-performance risk. At both June 30, 2010 and December 31, 2009, the cumulative adjustment for non-performance risk was a gain of $9 million.

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Fair value hedges

We use interest rate and currency exchange derivatives primarily to hedge the fair value effects of interest rate and currency exchange rate changes on local and non-functional currency denominated fixed-rate debt. For relationships designated as fair value hedges, changes in fair value of the derivatives are recorded in earnings along with offsetting adjustments to the carrying amount of the hedged debt. The following tables provide information about the earnings effects of our fair value hedging relationships for the three and six months ended June 30, 2010 and 2009.

		Three months ended			
		June 30, 2010		June 30, 2009	
(In millions)	Financial statement caption	Gain (loss) on hedging derivatives	Gain (loss) on hedged items	Gain (loss) on hedging derivatives	Gain (loss) on hedged items
Interest rate contracts	Interest and other financial charges	$ 2,551	$ (2,721)	$ (4,243)	$ 4,260
Currency exchange contracts	Interest and other financial charges	11	(15)	(91)	83

Fair value hedges resulted in $(174) million and $9 million of ineffectiveness of which $(1) million and $(48) million reflects amounts excluded from the assessment of effectiveness for the three months ended June 30, 2010 and 2009, respectively.

		Six months ended			
		June 30, 2010		June 30, 2009	
(In millions)	Financial statement caption	Gain (loss) on hedging derivatives	Gain (loss) on hedged items	Gain (loss) on hedging derivatives	Gain (loss) on hedged items
Interest rate contracts	Interest and other financial charges	$ 3,811	$ (4,130)	$ (5,180)	$ 5,246
Currency exchange contracts	Interest and other financial charges	(9)	1	(1,058)	1,032

Fair value hedges resulted in $(327) million and $40 million of ineffectiveness for the six months ended June 30, 2010 and 2009, respectively, of which $(75) million reflects amounts excluded from the assessment of effectiveness for the six months ended June 30, 2009.

Cash flow hedges and net investment hedges in foreign operations

We use interest rate, currency exchange and commodity derivatives to reduce the variability of expected future cash flows associated with variable rate borrowings and commercial purchase and sale transactions, including commodities. For derivatives that are designated in a cash flow hedging relationship, the effective portion of the change in fair value of the derivative is reported as a component of AOCI and reclassified into earnings contemporaneously and in the same caption with the earnings effects of the hedged transaction. Hedge ineffectiveness is recognized in earnings, primarily in GECS revenues from services each reporting period.

We use currency exchange derivatives to protect our net investments in global operations conducted in non-U.S. dollar currencies. For derivatives that are designated as hedges of net investment in a foreign operation, we assess effectiveness based on changes in spot currency exchange rates. Changes in spot rates on the derivative are recorded as a component of AOCI until such time as the foreign entity is substantially liquidated or sold. The change in fair value of the forward points, which reflects the interest rate differential between the two countries on the derivative, are excluded from the effectiveness assessment and are recorded currently in Interest and other financial charges .

The following tables provide information about the amounts recorded in AOCI for the three months ended June 30, 2010 and 2009, and the six months ended June 30, 2010 and 2009, as well as the amounts recorded in each caption in the Condensed Statement of Earnings when derivative amounts are reclassified out of AOCI related to our cash flow hedges and net investment hedges.

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(In millions)	Gain (loss) recognized in AOCI for the three months ended June 30, 2010	June 30, 2009	Financial statement caption	Gain (loss) reclassified from AOCI into earnings for the three months ended June 30, 2010	June 30, 2009
Cash flow hedges					
Interest rate contracts	$ (214)	$ 577	Interest and other financial charges	$ (355)	$ (558)
			GECS revenues from services	3	
Currency exchange contracts	(1,070)	1,803	Interest and other financial charges	(86)	996
			Other costs and expenses	117	(31)
			GECS revenues from services	(951)	207
			Sales of goods and services	(63)	59
Commodity contracts	6	29	GECS revenues from services		24
			Other costs and expenses	2	5
Total	$ (1,278)	$ 2,409		$ (1,333)	$ 702

(In millions)	Gain (loss) recognized in CTA for the three months ended June 30, 2010	June 30, 2009	Financial statement caption	Gain (loss) reclassified from CTA for the three months ended June 30, 2010	June 30, 2009
Net investment hedges					
Currency exchange contracts	$ 1,813	$ (5,629)	GECS revenues from services	$ (9)	$ 9

(In millions)	Gain (loss) recognized in AOCI for the six months ended June 30, 2010	June 30, 2009	Financial statement caption	Gain (loss) reclassified from AOCI into earnings for the six months ended June 30, 2010	June 30, 2009
Cash flow hedges					
Interest rate contracts	$ (444)	$ 676	Interest and other financial charges	$ (776)	$ (1,044)
			GECS revenues from services	5	
Currency exchange contracts	(1,604)	2,328	Interest and other financial charges	(91)	993
			Other costs and expenses	4	(108)
			GECS revenues from services	(1,488)	(62)
			Sales of goods and services	(110)	62
Commodity contracts	9	34	GECS revenues from services		24
			Other costs and expenses		(3)
Total	$ (2,039)	$ 3,038		$ (2,456)	$ (138)

(In millions)	Gain (loss) recognized in CTA for the six months ended		Financial statement caption	Gain (loss) reclassified from CTA for the six months ended	
	June 30, 2010	June 30, 2009		June 30, 2010	June 30, 2009
Net investment hedges					
Currency exchange contracts	$ 2,217	$ (3,274)	GECS revenues from services	$ (9)	$ (30)

Of the total pre-tax amount in AOCI at June 30, 2010, $2,177 million related to cash flow hedges of forecasted transactions of which we expect to transfer $1,237 million to earnings as an expense in the next 12 months contemporaneously with the earnings effects of the related forecasted transactions. In the first six months of 2010 and 2009, we recognized insignificant gains and losses related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period. At June 30, 2010 and 2009, the maximum term of derivative instruments that hedge forecasted transactions was 26 years and 27 years, respectively, and related to hedges of anticipated interest payments associated with external debt.

For cash flow hedges, the amount of ineffectiveness in the hedging relationship and amount of the changes in fair value of the derivatives that are not included in the measurement of ineffectiveness are both reflected in earnings each reporting period. These amounts primarily appear in "GECS revenues from services" and totaled $7 million and $9 million for the three months ended June 30, 2010 and 2009, respectively, of which $(17) million represents amounts excluded from the assessment of effectiveness for the three months ended June 30, 2009. These amounts totaled $(27) million and $2 million for the six months ended June 30, 2010 and 2009, respectively, of which $(15) million represents amounts excluded from the assessment of effectiveness for the six months ended June 30, 2009.

Amounts from net investment hedges related to the change in the fair value of the forward points were $(213) million and $(167) million for the three months ended June 30, 2010 and 2009, respectively, and $(412) million and $(557) million for the six months ended June 30, 2010 and 2009, respectively.

Free-standing derivatives

Changes in the fair value of derivatives that are not designated as hedges are recorded in earnings each period. As discussed above, these derivatives are typically entered into as economic hedges of changes in interest rates, currency exchange rates, commodity prices and other risks. Gains or losses related to the derivative are typically recorded in "GECS revenues from services" or "Other income," based on our accounting policy. In general, the earnings effects of the item that represent the economic risk exposure are recorded in the same caption as the derivative. Losses for the first six months of 2010 on derivatives not designated as hedges were $(1,291) million comprised of amounts related to interest rate contracts of $179 million, currency exchange contracts of $(1,459) million, and other derivatives of $(11) million. These losses of $(1,291) million were more than offset by the earnings effects from the underlying items that were economically hedged. Gains for the first six months of 2009 on derivatives not designated as hedges, without considering the offsetting earnings effects from the item representing the economic risk exposure, were $272 million comprised of amounts related to interest rate contracts of $256 million, currency exchange contracts of $(23) million, and other derivatives of $39 million.

Counterparty credit risk

Fair values of our derivatives can change significantly from period to period based on, among other factors, market movements and changes in our positions. Accordingly, we actively monitor these exposures and take appropriate actions in response. We manage counterparty credit risk (the risk that counterparties will default and not make payments to us according to the terms of our standard master agreements) on an individual counterparty basis. Where we have agreed to netting of derivative exposures with a counterparty, we offset our exposures with that counterparty and apply the value of collateral posted to us to determine the exposure. When net exposure to a counterparty, based on the current market values of agreements and collateral, exceeds credit exposure limits, we typically take action to reduce such exposures. These actions may include prohibiting additional transactions with the counterparty, requiring additional collateral from the counterparty (as described below) and terminating or restructuring transactions.

As discussed above, we have provisions in certain of our master agreements that require counterparties to post collateral (typically, cash or U.S. Treasuries) when our receivable due from the counterparty, measured at current market value, exceeds a specified limit. At June 30, 2010, our exposure to counterparties, net of collateral we hold, was $1,134 million. The fair value of such collateral was $8,530 million, of which $2,163 million was cash and $6,367 million was in the form of securities held by a custodian for our benefit. Under certain of these same agreements, we post collateral to our counterparties for our derivative obligations, the fair value of which was $1,229 million at June 30, 2010.

Additionally, our standard master agreements typically contain mutual downgrade provisions that provide the ability of each party to require termination if the long-term credit rating of the counterparty were to fall below A-/A3. In certain of these master agreements, each party also has the ability to require termination if the short-term rating of the counterparty were to fall below A-1/P-1. The net amount relating to our derivative liability of $2,573 million subject to these provisions, after consideration of collateral posted by us, was $1,095 million at June 30, 2010.

More information regarding our counterparty credit risk and master agreements can be found in Note 22 in our 2009 consolidated financial statements.

Support of customer derivatives

For information related to support of customer derivatives, see Note 22 in our 2009 consolidated financial statements. The fair value of support agreements was $21 million and $24 million at June 30, 2010 and December 31, 2009, respectively. Because we are supporting the performance of the customer under these arrangements, our exposure to loss at any point in time is limited to the fair value of the customer s derivative contracts that are in a liability position. The aggregate fair value of customer derivative contracts in a liability position at June 30, 2010 and December 31, 2009, was $215 million and $260 million, respectively, before consideration of any offsetting effect of collateral. At June 30, 2010 and December 31, 2009, collateral value was sufficient to cover the loan amount and the fair value of the customer s derivative, in the event we had been called upon to perform under the derivative. Given our underwriting criteria, we believe that the likelihood that we will be required to perform under these arrangements is remote.

16. VARIABLE INTEREST ENTITIES

We securitize financial assets and arrange other forms of asset-backed financing in the ordinary course of business. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as alternative funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GE-supported and third-party VIEs to execute off-balance sheet securitization transactions funded in the commercial paper and term markets. The largest group of VIEs that we are involved with are QSPEs, which under guidance in effect through December 31, 2009 were excluded from the scope of consolidation standards based on their characteristics. Except as noted below, investors in these entities only have recourse to the assets owned by the entity and not to our general credit. We do not have implicit support arrangements with any VIE or QSPE. We did not provide non-contractual support for previously transferred financing receivables to any VIE or QSPE in 2010 or 2009.

On January 1, 2010, we adopted FASB ASU 2009-16 & 17, which amended ASC 860, *Transfers and Servicing*, and ASC 810, *Consolidation*, respectively. These amendments eliminated the scope exception for QSPEs and required that all such entities be evaluated for consolidation as VIEs, which resulted in the consolidation of all of our sponsored QSPEs. Among other changes, the amendments to ASC 810 replaced the existing quantitative approach for identifying the party that should consolidate a VIE, which was based on exposure to a majority of the risks and rewards, with a qualitative approach, based on determination of which party has the power to direct the most economically significant activities of the entity. The revised guidance will sometimes change the composition of entities that meet the definition of a VIE and the determination about which party should consolidate a VIE, as well as requiring the latter to be evaluated continuously.

In evaluating whether we have the power to direct, as defined in the standard, we consider the purpose for which the VIE was created, the importance of each of the activities in which it is engaged and our decision-making role, if any, in those activities that significantly determine the entity s economic performance as compared to other economic interest holders. This evaluation requires consideration of all facts and circumstances relevant to decision-making that affects the entity s future performance and the exercise of professional judgment in deciding which decision-making rights are most important.

In determining whether we have the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, we evaluate all of our economic interests in the entity, regardless of form (debt, equity, management and servicing fees, and other contractual arrangements). This evaluation considers all relevant factors of the entity s design, including: the entity s capital structure, contractual rights to earnings (losses), subordination of our interests relative to those of other investors, contingent payments, as well as other contractual arrangements that have potential to be economically significant. The evaluation of each of these factors in reaching a conclusion about the potential significance of our economic interests is a matter that requires the exercise of professional judgment.

As of January 1, 2010 and subsequently, we evaluated all entities that fall within the scope of the amended ASC 810 to determine whether we were required to consolidate or deconsolidate them based on the approach described above. In addition to the securitization QSPEs described above, we were required to consolidate assets of VIEs related to direct investments in entities that hold loans and fixed income securities, a media joint venture and a small number of companies to which we have extended loans in the ordinary course of business and have subsequently been subject to a TDR. The incremental effect of these entities on our total assets and liabilities, net of our investment in them, was an increase of approximately $31,097 million and $33,042 million, respectively, at January 1, 2010. There also was a net reduction of total equity (including noncontrolling interests) of approximately $1,945 million at January 1, 2010, principally related to the reversal of previously recognized securitization gains as a cumulative effect adjustment to retained earnings.

The assets of QSPEs that we consolidated were $29,792 million, net of our existing retained interests of $8,782 million, and liabilities were $31,616 million at January 1, 2010. Significant assets of the QSPEs included net financing receivables and trade receivables of $39,463 million and investment securities of $1,015 million at January 1, 2010. Significant liabilities included non-recourse borrowings of $36,112 million. The assets and liabilities of other VIEs we consolidated were $1,305 million and $1,426 million, respectively.

Consolidated Variable Interest Entities

We consolidate VIEs because we have the power to direct the activities that significantly affect the VIEs economic performance, typically because of our role as either servicer or manager for the VIE. Our consolidated VIEs fall into four main groups, which are further described below:

Trinity is a group of sponsored special purpose entities that holds investment securities, the majority of which are investment grade, and are funded by the issuance of GICs. These entities were consolidated in 2003, and ceased issuing new investment contracts beginning in the first quarter of 2010.

If the long-term credit rating of GECC were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GECC would be required to provide approximately $1,896 million to such entities as of June 30, 2010 pursuant to letters of credit issued by GECC. To the extent that the entities liabilities exceed the ultimate value of the proceeds from the sale of their assets and the amount drawn under the letters of credit, GECC could be required to provide such excess amount. As the borrowings of these entities are already reflected in our consolidated Statement of Financial Position, there would be no change in our debt if this were to occur. As of June 30, 2010, the carrying value of the liabilities of these entities was $7,329 million and the fair value of their assets was $6,563 million (which included net unrealized losses on investment securities of $949 million). With respect to these investment securities, we intend to hold them at least until such time as their individual fair values exceed their amortized cost. We have the ability to hold all such debt securities until maturity.

Consolidated liquidating securitization entities comprise entities that were consolidated in 2003 and which have been in run-off since then. These entities hold financing receivables and other financial assets. There has been no significant difference between the performance of these financing receivables and our on-book receivables on a blended basis. Contractually the cash flows from these financing receivables must first be used to pay down outstanding commercial paper and interest thereon as well as other expenses of the entity. Excess cash flows are available to GE. The creditors of these entities have no claim on the other assets of GE.

If the short-term credit rating of GECC or these entities were reduced below A 1+/P 1, GECC would be required to provide substitute liquidity for those entities or provide funds to retire the outstanding commercial paper. The maximum net amount that we would be required to provide in the event of such a downgrade is determined by contract, and totaled $2,161 million at June 30, 2010. As the borrowings of these entities are reflected in our Statement of Financial Position, our total debt would not change as a result of such an event.

Securitization QSPEs comprise previously off-book QSPEs that were consolidated on January 1, 2010 in connection with our adoption of ASU 2009-16 & 17. These entities were created to facilitate securitization of financial assets and other forms of asset-backed financing which serve as an alternative funding source by providing access to the commercial paper and term markets. The securitization transactions executed with these entities are similar to those used by many financial institutions and substantially all are non-recourse. We provide servicing for substantially all of the assets in these entities.

The financing receivables in these entities have similar risks and characteristics to our other financing receivables and were underwritten to the same standard. Accordingly, the performance of these assets has been similar to our other financing receivables; however, the blended performance of the pools of receivables in these entities reflects the eligibility criteria that we apply to determine which receivables are selected for transfer. Contractually the cash flows from these financing receivables must be used to pay third-party debt holders as well as other expenses of the entity. Excess cash flows are available to GE. The creditors of these entities have no claim on the other assets of GE.

Other remaining assets and liabilities of consolidated VIEs relate primarily to five categories of entities: (1) enterprises we acquired that had previously created asset-backed financing entities to fund commercial real estate, middle-market and equipment loans; we are the collateral manager for these entities; (2) joint ventures that lease light industrial equipment and that hold a limited partnership interest in certain media properties; (3) entities that have executed on-balance sheet securitizations of financial assets and of third party trade receivables; (4) insurance entities that, among other lines of business, provide property and casualty and workers compensation coverage for GE, and (5) other entities that are involved in power generating, leasing and real estate activities.

The table below summarizes the assets and liabilities of consolidated VIEs described above.

(In millions)	Trinity(a)	Consolidated Liquidating Securitization Entities(a)	Securitization QSPEs(b)(c)	Other(c)	Total
June 30, 2010					
Assets					
Financing receivables, net	$	$ 2,222	$ 36,758	$ 4,702	$ 43,682
Investment securities	6,168			957	7,125
Other assets(d)	395	23	627	3,621	4,666
Total	6,563	2,245	37,385	9,280	55,473
Liabilities					
Borrowings(d)	$	$	$ 239	$ 1,691	$ 1,930
Non-recourse borrowings of consolidated securitization entities		2,100	28,786	1,810	32,696
Other liabilities(d)	7,329	60	544	1,876	9,809
Total	$ 7,329	$ 2,160	$ 29,569	$ 5,377	$ 44,435
December 31, 2009					
Assets					
Financing receivables, net	$	$ 2,576	$	$ 4,277	$ 6,853
Investment securities	6,629			944	7,573
Other assets(d)	716	32		1,820	2,568
Total	$ 7,345	$ 2,608	$	$ 7,041	$ 16,994
Liabilities					
Borrowings(d)	$	$	$	$ 1,835	$ 1,835
Non-recourse borrowings of consolidated securitization entities		2,424		684	3,108
Other liabilities(d)	8,519	80		1,689	10,288
	$ 8,519	$ 2,504	$	$ 4,208	$ 15,231

(a) Entities consolidated on July 1, 2003 or January 1, 2004 as a result of amendments to U.S. GAAP.

(b) Entities consolidated on January 1, 2010 by the initial application of ASU 2009-16 & 17.

(c) In certain transactions entered into prior to December 31, 2004, we provided contractual credit and liquidity support to third parties who funded the purchase of securitized or participated interests in assets. We have not entered into additional arrangements since that date. Liquidity and credit support was $1,060 million at June 30, 2010 and $2,088 million at December 31, 2009.

(d) Other assets, borrowings and other liabilities exclude intercompany balances that are eliminated in consolidation.

GECS revenues from services from our consolidated VIEs were $1,785 million and $3,674 million in the second quarter and first six months of 2010, respectively. Related expenses consisted primarily of provisions for losses of $279 million and $747 million and interest and other financial charges of $205 million and $416 million in the second quarter and the first six months of 2010, respectively. These amounts do not

include intercompany revenues and costs, principally fees and interest between GE and the VIEs, which are eliminated in consolidation.

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The collateral and outstanding debt in Securitization QSPEs at June 30, 2010 and December 31, 2009 is provided below.

(In millions)	Credit card receivables	Real estate	Equipment(a)	Other	Total