

GENERAL ELECTRIC CAPITAL CORP
Form 10-Q/A
January 19, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-Q/A
Amendment No. 1 to Form 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2006

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 1-6461

GENERAL ELECTRIC CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-1500700

(I.R.S. Employer Identification No.)

260 Long Ridge Road, Stamford, CT

(Address of principal executive offices)

06927

(Zip Code)

(Registrant's telephone number, including area code) **(203) 357-4000**

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

At April 25, 2006, 3,985,403 shares of voting common stock, which constitute all of the outstanding common equity, with a par value of \$14 per share were outstanding.

REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM 10-Q WITH THE REDUCED DISCLOSURE FORMAT.

(1)

General Electric Capital Corporation

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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 often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements of this nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest rates and commodity prices; strategic actions, including dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory 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.

Explanatory Note

Overview

General Electric Capital Corporation (GECC) is filing this amendment to its Quarterly Report on Form 10-Q for the period ended March 31, 2006, to amend and restate financial statements and other financial information for the three months ended March 31, 2006 and 2005. The restatement adjusts our accounting for interest rate swap transactions related to a portion of the commercial paper issued by GECC, and General Electric Capital Services, Inc. (GECS), from January 1, 2001, the date we adopted Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial. We have not found that any of our hedge positions were inconsistent with our risk management policies or economic objectives.

For the three months ended March 31, 2006 and 2005, this non-cash restatement had the following earnings effects:

<i>(In millions)</i>	Effects of Correction	
	Three months ended	
	March 31	
	2006	2005
Increase in earnings from continuing operations	\$ 118	\$ 206

Background

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

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

(3)

As of January 1, 2007, we modified our commercial paper hedging program and adopted documentation for interest rate swaps that we believe complies with the requirements of SFAS 133 and remediated the related internal control weakness.

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

Amendment to this Form 10-Q

The following sections of this Form 10-Q have been revised to reflect the restatement: Part I - Item 1 - Financial Statements, - Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations; and - Item 4 - Controls and Procedures; and Part II - Exhibits are revised in this filing to reflect the restatement. Except to the extent relating to the restatement of our financial statements and other financial information described above, the financial statements and other disclosure in this Form 10-Q do not reflect any events that have occurred after this Form 10-Q was initially filed on April 26, 2006.

Effects of Restatement

The following tables set forth the effects of the restatement relating to the aforementioned hedge accounting on affected line items within our previously reported Statements of Earnings for the period ended March 31, 2006 and 2005. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial.

Effects on Statements of Earnings

<i>(Income (expense); in millions)</i>	Three months ended	
	March 31	
	2006	2005
Commercial paper interest rate swap adjustment (note 1) ^(a)	\$ 180	\$ 327
Interest	15	14
Earnings from continuing operations before income taxes	195	341
Provision for income taxes	(77)	(135)
Earnings from continuing operations	118	206
Net earnings	118	206
Retained earnings at beginning of period	(421)	(753)
Retained earnings at end of period	(303)	(547)

(a) Included in total revenues.

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For additional information relating to the effect of the restatement, see the following items:

Part I:

Item 1 - Financial Statements

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 4 - Controls and Procedures

Part II:

Item 6 - Exhibits

In light of the restatement, readers should not rely on our previously filed financial statements and other financial information for the three months ended March 31, 2006 and 2005.

(5)

Part I. Financial Information**Item 1. Financial Statements****General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Current and Retained Earnings
(Unaudited)**

	Three months ended	
	March 31	
<i>(In millions)</i>	2006	2005
	(Restated)	(Restated)
Revenues		
Revenues from services (note 3)	\$ 13,248	\$ 12,120
Sales of goods	555	674
Commercial paper interest rate swap adjustment (note 1)	180	327
Total revenues	13,983	13,121
Costs and expenses		
Interest	4,009	3,344
Operating and administrative	4,166	4,051
Cost of goods sold	513	635
Investment contracts, insurance losses and insurance annuity benefits	148	202
Provision for losses on financing receivables	825	928
Depreciation and amortization	1,486	1,621
Minority interest in net earnings of consolidated affiliates	94	21
Total costs and expenses	11,241	10,802
Earnings from continuing operations before income taxes	2,742	2,319
Provision for income taxes	(398)	(285)
Earnings from continuing operations	2,344	2,034
Earnings from discontinued operations, net of taxes (note 2)	128	249
Net earnings	2,472	2,283
Dividends	(4,749)	(239)
Retained earnings at beginning of period	35,506	34,194
Retained earnings at end of period	\$ 33,229	\$ 36,238

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

General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Financial Position

<i>(In millions)</i>	March 31, 2006 (Restated) (Unaudited)	December 31, 2005 (Restated)
Assets		
Cash and equivalents	\$ 5,892	\$ 5,996
Investment securities	21,491	18,467
Inventories	161	159
Financing receivables - net (note 4)	282,556	284,567
Other receivables	26,475	25,250
Buildings and equipment, less accumulated amortization of \$21,454 and \$21,271	51,220	50,936
Intangible assets - net (note 5)	23,119	23,086
Other assets	52,065	49,507
Assets of discontinued operations (note 2)	14,520	17,291
Total assets	\$ 477,499	\$ 475,259
Liabilities and equity		
Borrowings (note 6)	\$ 359,920	\$ 355,885
Accounts payable	14,009	14,345
Investment contracts, insurance liabilities and insurance annuity benefits	12,638	12,094
Other liabilities	15,235	16,269
Deferred income taxes	11,890	11,069
Liabilities of discontinued operations (note 2)	13,753	13,195
Total liabilities	427,445	422,857
Minority interest in equity of consolidated affiliates	2,260	2,212
Capital stock	56	56
Accumulated gains (losses) - net		
Investment securities	581	744
Currency translation adjustments	2,044	2,343
Cash flow hedges	(153)	(367)
Minimum pension liabilities	(157)	(147)
Additional paid-in capital	12,194	12,055
Retained earnings	33,229	35,506
Total shareowner's equity	47,794	50,190
Total liabilities and equity	\$ 477,499	\$ 475,259

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," and was \$2,315 million and \$2,573 million at March 31, 2006 and December 31, 2005, respectively.

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

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General Electric Capital Corporation and consolidated affiliates
Condensed Statement of Cash Flows
(Unaudited)

(In millions)

	Three months ended	
	March 31	
	2006	2005
	(Restated)^(a)	(Restated)^(a)
Cash flows - operating activities		
Net earnings	\$ 2,472	\$ 2,283
Earnings from discontinued operations	(128)	(249)
Adjustments to reconcile net earnings to cash provided from operating activities		
Depreciation and amortization of buildings and equipment	1,486	1,621
Decrease in accounts payable	(85)	(210)
Provision for losses on financing receivables	825	928
All other operating activities	(1,301)	1,349
Cash from operating activities - continuing operations	3,269	5,722
Cash from operating activities - discontinued operations	33	814
Cash from operating activities	3,302	6,536
Cash flows - investing activities		
Additions to buildings and equipment	(2,038)	(2,407)
Dispositions of buildings and equipment	1,047	1,709
Increase in loans to customers	(70,707)	(75,616)
Principal collections from customers - loans	65,213	74,213
Investment in equipment for financing leases	(5,766)	(5,209)
Principal collections from customers - financing leases	5,878	5,712
Net change in credit card receivables	3,506	1,923
Payments for principal businesses purchased	(424)	(4,631)
All other investing activities	(1,167)	(480)
Cash used for investing activities - continuing operations	(4,458)	(4,786)
Cash from (used for) investing activities - discontinued operations	7	(214)
Cash used for investing activities	(4,451)	(5,000)
Cash flows - financing activities		
Net decrease in borrowings (maturities of 90 days or less)	(2,471)	(3,766)
Newly issued debt:		
Short-term (91 to 365 days)	316	401
Long-term (longer than one year)	24,177	22,881
Non-recourse, leveraged lease	73	47
Repayments and other debt reductions:		
Short-term (91 to 365 days)	(14,051)	(14,667)
Long-term (longer than one year)	(2,510)	(5,632)
Non-recourse, leveraged lease	(382)	(504)
Dividends paid to shareowner	(4,609)	(239)
All other financing activities	542	(297)
Cash from (used for) financing activities - continuing operations	1,085	(1,776)
Cash used for financing activities - discontinued operations	(28)	(613)
Cash from (used for) financing activities	1,057	(2,389)

Decrease in cash and equivalents	(92)	(853)
Cash and equivalents at beginning of year	6,182	9,840
Cash and equivalents at March 31	6,090	8,987
Less cash and equivalents of discontinued operations at March 31	198	1,484
Cash and equivalents of continuing operations at March 31	\$ 5,892	\$ 7,503

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

(a) Certain individual line items within cash from operating activities have been restated.

(8)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. Our financial statements are prepared in conformity with the U.S. generally accepted accounting principles (GAAP). Preparing financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. 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. We reclassified certain prior-period amounts to conform to the current period's presentation.

All of our outstanding common stock is owned by General Electric Capital Services, Inc. (GE Capital Services or GECS), all of whose common stock is owned, directly or indirectly, by General Electric Company (GE Company or GE). Unless otherwise indicated, information in these notes to condensed, consolidated financial statements relates to continuing operations. Our financial statements consolidate all of our affiliates - companies that we control and in which we hold a majority voting interest. Details of total revenues and segment profit by operating segment can be found on page 20 of this report.

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 a Saturday. 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.

2007 Restatement

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Background

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

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

Effects of the restatement by line item follow:

<i>(In millions) (unaudited)</i>	Three months ended March 31			
	2006		2005	
	As previously reported	As restated	As previously reported	As restated
Statement of Earnings				
Commercial paper interest rate swap adjustment ^(a)	\$ -	\$ 180	\$ -	\$ 327
Interest	4,024	4,009	3,358	3,344
Earnings from continuing operations before income taxes	2,547	2,742	1,978	2,319
Provision for income taxes	(321)	(398)	(150)	(285)
Earnings from continuing operations	2,226	2,344	1,828	2,034
Net earnings				