

**WRITTEN SUBMISSION OF GE CAPITAL  
TO THE FINANCIAL CRISIS INQUIRY COMMISSION**

**MARK BARBER  
DEPUTY TREASURER, GE AND GE CAPITAL  
May 6, 2010**

Chairman Angelides, Vice-Chairman Thomas, and Members of the Commission, thank you for the opportunity to appear here today. My name is Mark Barber, and I am a Deputy Treasurer for General Electric Co. and General Electric Capital Corporation, or GE Capital, with responsibility for short-term funding and investments. We at GE are pleased to assist the Commission as it carries out its important mission of examining the causes of the financial crisis.

The Commission has requested that we address several topics, including GE Capital's role as a financial services company and GE Capital's participation in certain government programs instituted to address the financial crisis. GE Capital's CEO, Mike Neal, has addressed the issues relating to our organization and history, business model, and lending activities. I would like to provide an overview of GE Capital's commercial paper funding program and describe GE Capital's participation in the Federal Reserve Bank's Commercial Paper Funding Facility and the FDIC's Temporary Liquidity Guarantee Program.

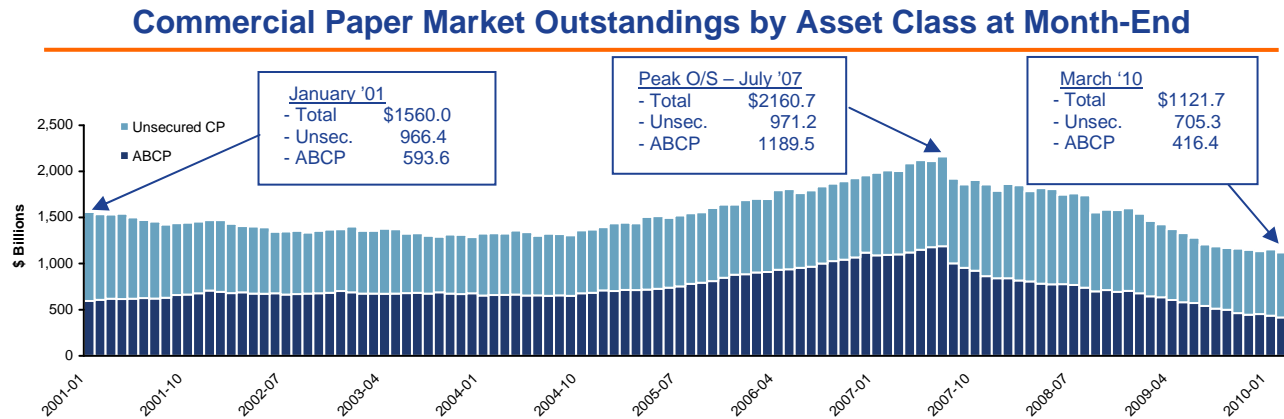
I joined GE Capital in 1989 as Assistant Treasurer for Short-Term Funding after 10 years with Ford Motor Company's financial services unit in a similar function. During my more than twenty years at GE, my work has related to the Company's short-term funding and investment activities. I manage GE Capital's commercial paper program, which is one part of the Company's overall funding and liquidity management operation.

**Overview of GE Capital's Commercial Paper Program**

The U.S. commercial paper market provides efficient access to short-term funding for financial institutions, non-financial institutions and asset-backed entities. Unlike many of the

structured financial products that have come under scrutiny in the wake of the crisis, unsecured commercial paper is not a new or a complicated product. GE Capital has issued commercial paper since 1952. Today, GE Capital continues to issue commercial paper to help meet its liquidity and funding needs in a market long known for its depth, efficient pricing, informed investors and transparency.

The commercial paper market benefits from a variety of factors, including the availability of significant amounts of investor capital, a deep and diverse investor base, a wide range of issuers, and efficient delivery and settlement systems. As of July 2008, the total size of the U.S. commercial paper market was about \$2.2 trillion; approximately 45 percent of that consisted of unsecured commercial paper and 55 percent consisted of asset-backed commercial paper. Today, the size of the commercial paper market is around \$1.1 trillion; approximately, two-thirds of that consists of unsecured commercial paper and the balance consists of asset-backed commercial paper.



Source: Investment Company Institute, Federal Reserve

GE Capital, unlike most other commercial paper issuers, prices and sells commercial paper directly to investors without going through dealers. GE Capital determines each day how much cash it wants to raise based on a number of factors, including the amount of the

Company's maturing commercial paper and its current and projected liquidity profile. GE Capital sets pricing daily based on its borrowing needs and market factors and then presents to its potential investors its pricing scale (offered rates) for newly issued commercial paper. GE Capital's primary commercial paper purchasers are institutional investors, including investment managers, money market mutual funds, government entities, corporations, and a variety of other institutions. GE Capital maintains strong relationships with its commercial paper investors, many of which have been purchasing commercial paper directly from GE Capital for years.

Commercial paper can be placed with a maturity as short as one day and as long as nine months. Pricing is set daily and is generally benchmarked against LIBOR, the Fed Funds rate, and other competing products such as T-bills, agency discount notes, and large bank time deposits. In fall 2008, GE Capital's commercial paper was rated "P-1" by Moody's Investors Service and "A-1+" by Standard & Poors, the highest short-term debt ratings available. These highest ratings continue unchanged through today. In addition, GE Capital's long-term debt is rated "Aa2" by Moody's Investors Service and "AA+" by Standard & Poors, both with a stable outlook.

### **Significant Market Events**

As the credit markets began to experience stress in 2007, GE monitored changing market conditions to ensure stable and prudent short-term funding. To this end, GE periodically reviewed its five key drivers of liquidity: debt issuance and maturity, back-up bank credit lines, asset origination and income, access to securitization and syndication platforms and other liquidity sources.

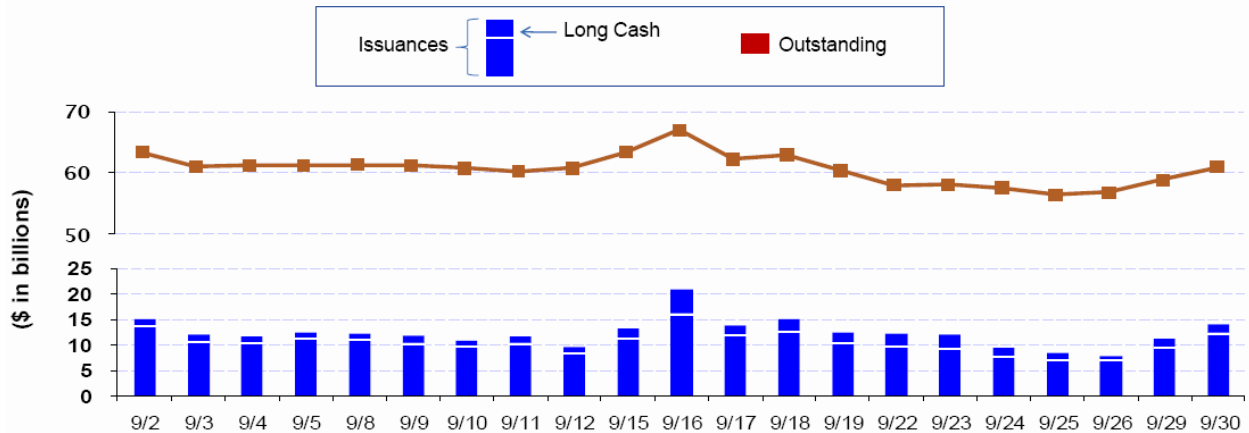
In 2008, many financial institutions faced a stagnating bond market, a weakening secondary market and growing investor concerns over safety and security. In March 2008, with

assistance from the federal government, JPMorgan Chase completed a hurried acquisition of a weakened Bear Stearns. That same month, the Federal Reserve announced plans to open the discount window and allow primary dealers to borrow directly from the government. The bankruptcy filing of Lehman Brothers on September 15 placed significant pressure on money market funds, a number of which held Lehman-issued commercial paper. In particular, the Reserve Primary Fund was forced to write down \$785 million in holdings of Lehman-issued commercial paper and subsequently announced that it had “broken the buck” on September 16. The Fund experienced massive demands for investor liquidations that it could not fully honor. Investors began to question the vulnerability of other prime funds, and as a result, began a more widespread withdrawal from prime institutional money market funds, many shifting their assets into government money market funds or government securities.

The government took swift action in the days following these two events. By Friday, September 19, the Federal Reserve announced the Asset Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (“AMLF”) to assist money market funds in meeting high redemption demands from their investors. On the same day, the U.S. Department of Treasury announced a one-year guarantee program for money market mutual funds. Both of these actions were effective in relieving some of the liquidity pressure on money market funds.

As reflected by the graph below, despite these developments, GE Capital continued to see strong demand for its commercial paper throughout September 2008.

## GECC USD Commercial Paper Activity (9/1/08-9/30/08)



Source: GE Capital

### **Government Programs**

In October 2008, the government took additional steps to restore investor confidence in the short-term funding market. These steps included the creation of the Federal Reserve’s Commercial Paper Funding Facility (“CPFF”) and the FDIC’s Temporary Liquidity Guarantee Program (“TLGP”). GE Capital participated in both the CPFF and the TLGP.

The continued liquidity pressure on money market funds contributed to a shift in demand for commercial paper toward shorter maturities. This in turn had the effect of increasing the amount of commercial paper that issuers sold each day. In response to these and other developments, and in an effort to increase liquidity in that market, the Federal Reserve announced the creation of the CPFF on October 7, 2008. The CPFF enabled the Federal Reserve to purchase three-month commercial paper from U.S.-domiciled issuers rated at least A-1/P-1/F1. The Federal Reserve began purchasing eligible commercial paper on October 27, 2008. GE registered to participate in the CPFF, paying a fee of approximately \$100 million. In addition, GE Capital paid interest on the commercial paper it sold to the Federal Reserve, including an unsecured credit surcharge paid by all issuers of unsecured commercial paper.

The CPFF helped foster liquidity in the commercial paper market. In another swift response, the FDIC announced the TLGP on October 14, 2008. The FDIC's announced goal was to "strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts, and certain holding companies" and thereby facilitate lending to businesses.

As originally conceived, the TLGP would have guaranteed debt issued by FDIC-insured banks, but not debt issued by companies like GE Capital. Accordingly, as initially formulated, the TLGP would have created an unequal playing field among market participants, where GE Capital's non-guaranteed debt would have been at a disadvantage, despite having the highest credit rating possible. GE, and we believe others, asked the government to reconsider the criteria for eligibility under the TLGP.

GE Capital applied in October 2008, and its application was approved on November 12, 2008. GE Capital began to issue debt in compliance with the terms of the TLGP on November 13, 2008. GE Capital announced that the FDIC had approved its proposed exit from the TLGP program with respect to commercial paper as of July 2009. GE continued to issue longer-term debt pursuant to a formula agreed to with the FDIC until September 30, 2009. In total, GE Capital paid more than \$2 billion in fees to the federal government to participate in the TLGP. The FDIC has not been required to pay any claims on any GE Capital debt guaranteed by the TLGP.

### **Conclusion**

GE is proud of the way we managed our business through this crisis. We kept the Company safe and secure and continued to fund our operations every day despite volatile and stressed markets. We also respect the important role federal officials played to reassure investors

and navigate the market uncertainty. Going forward, GE Capital will maintain its conservative business model. We all hope never to experience anything like the events of Fall 2008 again. Our continued aim is to maintain and improve shareholder value through smart, safe and secure lending and funding practices.

I hope my testimony today has been useful to the Commission. I look forward to answering your questions.