

# GENERAL ELECTRIC CO

## FORM 10-K (Annual Report)

Filed 02/19/10 for the Period Ending 12/31/09

Address	3135 EASTON TURNPIKE W3F FAIRFIELD, CT 06828
Telephone	203-373-2211
CIK	0000040545
Symbol	GE
SIC Code	3600 - Electronic & Other Electrical Equipment (No Computer Equip)
Industry	Conglomerates
Sector	Conglomerates
Fiscal Year	12/31

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**NOTE 16. OTHER STOCK-RELATED INFORMATION**

We grant stock options, restricted stock units (RSUs) and performance share units (PSUs) to employees under the 2007 Long-Term Incentive Plan. This plan replaced the 1990 Long-Term Incentive Plan. In addition, we grant options and RSUs in limited circumstances to consultants, advisors and independent contractors (primarily non-employee talent at NBC Universal) under a plan approved by our Board of Directors in 1997 (the consultants' plan). There are outstanding grants under one shareowner-approved option plan for non-employee directors. Share requirements for all plans may be met from either unissued or treasury shares. Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years. RSUs give the recipients the right to receive shares of our stock upon the vesting of their related restrictions. Restrictions on RSUs vest in various increments and at various dates, beginning after one year from date of grant through grantee retirement. Although the plan permits us to issue RSUs settleable in cash, we have only issued RSUs settleable in shares of our stock. PSUs give recipients the right to receive shares of our stock upon the achievement of certain performance targets.

All grants of GE options under all plans must be approved by the Management Development and Compensation Committee, which consists entirely of independent directors.

**Stock Compensation Plans**

<i>December 31, 2009 (Shares in thousands)</i>	<b>Securities to be issued upon exercise</b>	<b>Weighted average exercise price</b>	<b>Securities available for future issuance</b>
<b>Approved by shareowners</b>			
Options	337,544	\$ 24.40	(a)
RSUs	25,791	(b)	(a)
PSUs	950	(b)	(a)
<b>Not approved by shareowners (Consultants' Plan)</b>			
Options	619	32.49	(c)
RSUs	70	(b)	(c)
<b>Total</b>	<b>364,974</b>	<b>\$ 24.41</b>	<b>312,162</b>

(a) In 2007, the Board of Directors approved the 2007 Long-Term Incentive Plan (the Plan). The Plan replaced the 1990 Long-Term Incentive Plan. The maximum number of shares that may be granted under the Plan is 500 million shares, of which no more than 250 million may be available for awards granted in any form provided under the Plan other than options or stock appreciation rights. The approximate 105.9 million shares available for grant under the 1990 Plan were retired upon approval of the 2007 Plan. Total shares available for future issuance under the 2007 Plan amounted to 284.0 million shares at December 31, 2009.

(b) Not applicable.

(c) Total shares available for future issuance under the consultants' plan amount to 28.1 million shares.

Outstanding options expire on various dates through December 10, 2019.

The following table summarizes information about stock options outstanding at December 31, 2009.

**Stock Options Outstanding**

(Shares in thousands)

Exercise price range	Outstanding			Exercisable	
	Shares	Average life(a)	Average exercise price	Shares	Average exercise price
Under \$10.00	68,673	9.2	\$ 9.57	127	\$ 9.57
10.01-15.00	87,600	9.5	11.98	89	11.53
15.01-20.00	896	9.5	16.19	76	18.72
20.01-25.00	78	2.3	22.73	78	22.73
25.01-30.00	49,604	5.4	27.62	31,968	27.27
30.01-35.00	50,899	5.1	33.19	43,469	33.05
Over \$35.00	80,413	2.4	43.18	71,546	43.74
<b>Total</b>	<b>338,163</b>	<b>6.5</b>	<b>\$ 24.41</b>	<b>147,353</b>	<b>\$ 36.94</b>

At year-end 2008, options with an average exercise price of \$37.59 were exercisable on 162 million shares.

(a) Average contractual life remaining in years.

**Stock Option Activity**

	Shares (In thousands)	Weighted average exercise price	Weighted average remaining contractual term (In years)	Aggregate intrinsic value (In millions)
Outstanding at January 1, 2009	215,507	\$ 36.30		
Granted	159,226	10.93		
Exercised	(13)	10.21		
Forfeited	(4,669)	21.44		
Expired	(31,888)	37.88		
Outstanding at December 31, 2009	<u>338,163</u>	<u>\$ 24.41</u>	<u>6.5</u>	<u>\$ 658</u>
Exercisable at December 31, 2009	<u>147,353</u>	<u>\$ 36.94</u>	<u>3.1</u>	<u>\$ 1</u>
Options expected to vest	<u>165,805</u>	<u>\$ 14.93</u>	<u>9.1</u>	<u>\$ 565</u>

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant-date fair value of options granted during 2009, 2008 and 2007 was \$3.81, \$5.26 and \$9.28, respectively. The following assumptions were used in arriving at the fair value of options granted during 2009, 2008 and 2007, respectively: risk-free interest rates of 3.2%, 3.4% and 4.2%; dividend yields of 3.9%, 4.4% and 2.9%; expected volatility of 49%, 27% and 25%; and expected lives of six years and ten months, six years and nine months, and six years and ten months. Risk-free interest rates reflect the yield on zero-coupon U.S. Treasury securities. Expected dividend yields presume a set dividend rate. For stock options granted in 2009 and the fourth quarter of 2008, we used a historical five-year average for the dividend yield. Expected volatilities are based on implied volatilities from traded options and historical volatility of our stock. The expected option lives are based on our historical experience of employee exercise behavior.

The total intrinsic value of options exercised during 2009, 2008 and 2007 amounted to an insignificant amount, \$45 million and \$375 million, respectively. As of December 31, 2009, there was \$597 million of total unrecognized compensation cost related to nonvested options. That cost is expected to be recognized over a weighted average period of two years, of which approximately \$191 million, pre tax, is expected to be recognized in 2010.

Stock option expense recognized in net earnings amounted to \$120 million in 2009 and \$69 million in both 2008 and 2007. Cash received from option exercises during 2009, 2008 and 2007 was an insignificant amount, \$353 million and \$747 million, respectively. The tax benefit realized from stock options exercised during 2009, 2008 and 2007 was an insignificant amount, \$15 million and \$131 million, respectively.

#### Other Stock-based Compensation

	<u>Shares (In thousands)</u>	<u>Weighted average grant date fair value</u>	<u>Weighted average remaining contractual term (In years)</u>	<u>Aggregate intrinsic value (In millions)</u>
RSUs outstanding at January 1, 2009	36,483	\$ 32.57		
Granted	674	13.63		
Vested	(10,064)	32.76		
Forfeited	(1,232)	32.91		
RSUs outstanding at December 31, 2009	<u>25,861</u>	<u>\$ 31.98</u>	<u>2.7</u>	<u>\$ 391</u>
RSUs expected to vest	<u>23,599</u>	<u>\$ 32.04</u>	<u>2.6</u>	<u>\$ 357</u>

The fair value of each restricted stock unit is the market price of our stock on the date of grant. The weighted average grant date fair value of RSUs granted during 2009, 2008 and 2007 was \$13.63, \$28.74 and \$38.84, respectively. The total intrinsic value of RSUs vested during 2009, 2008 and 2007 amounted to \$139 million, \$274 million and \$181 million, respectively. As of December 31, 2009, there was \$482 million of total unrecognized compensation cost related to nonvested RSUs. That cost is expected to be recognized over a weighted average period of two years, of which approximately \$174 million, pre tax, is expected to be recognized in 2010. As of December 31, 2009, 1.0 million PSUs with a weighted average remaining contractual term of two years, an aggregate intrinsic value of \$14 million and \$7 million of unrecognized compensation cost were outstanding.

Other share-based compensation expense recognized in net earnings amounted to \$127 million, \$155 million and \$173 million in 2009, 2008 and 2007, respectively.

The total income tax benefit recognized in earnings for all share-based compensation arrangements amounted to \$118 million, \$106 million and \$118 million in 2009, 2008 and 2007, respectively.

When stock options are exercised and restricted stock vests, the difference between the assumed tax benefit and the actual tax benefit must be recognized in our financial statements. In circumstances in which the actual tax benefit is lower than the estimated tax benefit, that difference is recorded in equity, to the extent there are sufficient accumulated excess tax benefits. At December 31, 2009, our accumulated excess tax benefits are sufficient to absorb any future differences between actual and estimated tax benefits for all of our outstanding option and restricted stock grants.

**Consent of Independent Registered Public Accounting Firm**

**The Board of Directors**

**General Electric Company:**

We consent to the incorporation by reference in the registration statements on Form S-3 (Registration Nos. 33-50639, 33-39596, 33-39596-01, 33-29024, 333-59671, 333-72566, 333-130117, 333-155580 and 333-158067), on Form S-4 (Registration No. 333-107556), and on Form S-8 (Registration Nos. 333-01953, 333-42695, 333-74415, 333-83164, 333-98877, 333-94101, 333-65781, 333-88233, 333-117855, 333-99671, 333-102111, 333-142452, 333-155587, 333-158069, 333-158071 and 333-163106) of General Electric Company of our report dated February 19, 2010, with respect to the statement of financial position of General Electric Company and consolidated affiliates as of December 31, 2009 and 2008, and the related statements of earnings, changes in shareowners' equity and cash flows for each of the years in the three-year period ended December 31, 2009, and the effectiveness of internal control over financial reporting as of December 31, 2009, which report appears in the December 31, 2009 annual report on Form 10-K of General Electric Company.

Our report refers to a change in the methods of accounting for impairment of debt securities, business combinations and noncontrolling interests in 2009, a change in the method of accounting for fair value measurements and the adoption of the fair value option for certain financial assets and financial liabilities in 2008, and a change in the methods of accounting for uncertainty in income taxes and for a change or projected change in the timing of cash flows relating to income taxes generated by leveraged lease transactions in 2007.

/s/ KPMG LLP

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KPMG LLP  
Stamford, Connecticut  
February 19, 2010