I N T E R O F F I C E   M E M O R A N D U M

Doc. No:
Date: 12-Aug-1993 03:11pm DST
From: SCOTT BENSON @CYO
BENSON.SCOTT AT A1 at CSOA1 at ACI
Dept: DISTRICT SALES
Tel No: DTN 432-7736 – Laura

– who manages this prog.
who "
PHL ?
– Describe 3rd party $90M
– staffed?
–

TO: RUSS GULLOTTI @MKO

Subject: PRINT WIDE-16 PI./GEAE OUTSOURCING FINANCIALS

Russ,

Per your request, attached are the GEAE Outsourcing Financials put together by Rick Coyle. We're available to talk to you any day except August 13 P.M., August 17, and August 19. I am flying back to Cincinnati from Boston shortly, but will be in the office tomorrow morning. – told him you'd call tomorrow AM. – He's leaving @ 11.30

Regards,

Scott

Confidential Trash

any time?

bill general Electric

I N T E R O F F I C E   M E M O R A N D U M

Doc. No: 055370
Date: 09-Aug-1993 06:54pm EDT
From: RICK COYLE @CYO
COYLE.RICK
Dept: FINANCE
Tel No: DTN 432-7740

TO: Remote Addressee (KENNETH SMITH @OFO)

CC: Remote Addressee (SANDRA MASON @NQO)
CC: SCOTT BENSON @CYO (BENSON.SCOTT)
CC: Remote Addressee (TONY PELLEGRINI @MRO)
CC: TOM TORLONE @CYO (TORLONE.TOM)
CC: Remote Addressee (Gary Andreassen @PCO)
CC: Remote Addressee (John Fischer @PCO)
CC: Remote Addressee (Steve Pecci @mro)
CC: Remote Addressee (EMERY SPRINGER @MKO)
CC: Remote Addressee (BOB YOUNG @GNO)

Subject: PRINT WIDE - GEAE OUTSOURCING FINANCIALS

Attached are the financials that cover the 5 year outsourcing contract that has been approved and signed by Digital and GE Aircraft Engines.

The baseline "floor" price of $99.3M is a committed minimum price the customer will pay. Improved profitability and revenue growth in all aspects of the program will be emphasized throughout the contract. Contractual provisions have been made to clearly and easily enable GEAE to increment service utilization, thereby increasing program revenues and profitability beyond the original contract baseline amounts.
An option has been put into the contract whereby Digital or GEAE can elect without penalty to discontinue or renegotiate the agreement at the end of the 4th year. This provision provides downside financial risk mitigation in the event GEAE does not increment service levels to sustain adequately profitable operations for Digital in the 5th year.

Particulars surrounding the financials include the following:
-PET Modeling Methodology used for creating financials.
-Field and Corporate Overhead burden allocation was limited each year to 25M gross revenue. Amounts exceeding that were not burdened. This favorably impacts year 1 and 2 of the program. The noted "adj" on the financials pertain to this accommodation.
-Financials cover baseline contractual commitment and do not include potential upside increment opportunity.
-Financial assumption package will be available upon request.

Summary:

5 Year Baseline Contract

- o TOTAL PROGRAM REVENUE (BASELINE PRICE)= $99.3M
- o PBT % = 5.1%; (EXCLUDING SUNK BID COSTS = 6.1%)
- o POSTIVE 1ST YR PBT % = 6.5%
- o IRR = 74.1%
- o PAYBACK = 1.84 YEARS
- o PROGRAM LENGTH: 5 YEARS
- o THIRD PARTY PERCENTAGE OF PROGRAM = 34% OF REVENUE; 46% OF EXPENSE Explain

Financials (Baseline) if 5th Year of Contract is not Exercised

- o PROGRAM REVENUE (BASELINE PRICE)=$84.6M
- o PBT % = 6.7%; (EXCLUDING SUNK BID COSTS = 7.9%)
- o POSITIVE 1ST YR PBT % = 6.5%
- o IRR = 75.2%
- o PAYBACK = 1.84 YEARS
- o PROGRAM LENGTH = 4 YEARS
- o THIRD PARTY PERCENTAGE OF PROGRAM = 37% OF REVENUE; 46% OF EXPENSE

o CAPITAL:	YR 1	YR 2	TOTAL *
-REPURCH OF GE ASSETS	$1.4M		$1.4M
-NEW DEC EQUIPMENT	.8M	.3M	1.1M
-REFURBISHED DEC EQUIP	.3M	.3M	.6M
-FACILITY/TELCO/NETWORK	.4M	.0M	.4M
TOTAL CAPITAL *	$2.9M	$.6M	$3.5M

*INCREMENTAL ACTIVITY BEYOND INITIAL BASELINE CONTRACT SERVICE LEVEL WILL RESULT IN ADDITIONAL REVENUES AND WILL REQUIRE ADD'L CAPITAL WHICH AT THIS POINT IS YET TO BE DETERMINED. CAPITAL AMOUNT IS AT STANDARD TRANSFER COST.

o STAFF PLAN:	YR1	YR2	YR3	YR4	YR5
-AVG	72	61	47	41.5	40.5

— who will do this! GE employees? Contracts?

[NOTES: YR1 BEGINS WITH 79 AND ENDS WITH 61. SUB-CONTRACTORS INCLUDED IN THE ABOVE NUMBERS WILL AT MINIMUM BE: YR1=13; YRS 2-4 = 2; YR5 =1.

o CANCELLATION FOR CONVENIENCE PROVISION:

--TERMINATION FEE AFTER END OF YEAR 3 = $3.7M*

*IN ADDITION TO THE ABOVE, GE WILL TAKE ASSIGNMENT ON ALL EXISTING LEASES AND PAY FMV FOR ASSETS (UNTILIZED CAPACITY).

• RISK PROVISION:	YR1	YR2	YR3	YR4	YR5	TOTAL
-STAFF EXPENSE *	259K	234K	439K	330K	340K	1602K
-CONTRACTOR CONTINGENCY	96K	89K	83K	76K	79K	423K
-MISC CONSULTING CONT'CY	100K	105K	110K	116K	122K	553K
TOTAL	455K	428K	632K	522K	541K	2578K

- cost of outplacement TFSO in here? beyond FY94 - S/B

* 5% OF LABOR EXPENSE; PLUS ADDITIONAL AMOUNTS IN YRS 3 - 5 DUE TO STAFFING RAMP DOWNS. NOTE, A PORTION OF THESE AMOUNTS WILL BE USED WHEN DETERIMINING SALARY OFFERS & FINE TUNING STAFF NEEDS.

NOTE: PROVISION (873K) HAS BEEN MADE TO COVER TRANSITION EXPENSES.

[5 YEAR GEAE OUTSOURCING CONTRACT -- PET PRICING MODEL]

09-Aug-93 SIMULATED PET MODEL (V3)
PETadj4 GEAE OUTSOURCING

YRS: 5 SYSTEM INTEGRATION P&L
with Services Detail
Total Opportunity
(000$)

	Digital Prod	DPS	FMS	REPO/REPUR	** 3RD PTY	TAXES	OTH-HDR	TOTAL
		-------------SERVICES---------						
	====	====	====	====	====	====	====	====
GROSS REVENUE	7148	36553	44160	2366	39607	174	0	130008
DISCOUNTS	1300	14456	0	0	0			15756
ALLOWANCES		2359			2659		9934	14952
NOR	5848	19738	44160	2366	36948	174	-9934	99300
DELIVERY COST	1031	10671	27007	1972	34441	174		75296
BID COST	81	79	672	0	163	0		995
PROGRAM MARGIN $	4736	8988	16481	394	2344	0	-9934	23009
PROGRAM MARGIN %	81.0%	45.5%	37.3%	16.7%	6.3%	0.0%	100.0%	23.2%
ODC	726	0	0	0	0	0		726
SELLING EXPENSE	17	15	17	0	23	0		72
FIELD OVERHEAD	575	3032	8664	104	1358	5		13738
*FLD OH - ADJ	-52	-273	-779	-9	-122	0		-1235
FCM $	3470	6214	8579	299	1085	-5	-9934	9708
FCM %	59.3%	31.5%	19.4%	12.6%	2.9%	-2.9%	100.0%	9.8%
CORP OH	1005	2133	1842	30	0	0		5010
*CORP - ADJ	-81	-171	-148	-2	0			-402
*PBT $	2546	4252	6885	271	1085	-5	-9934	5100
*PBT %	43.5%	21.5%	15.6%	11.5%	2.9%	-2.9%	100.0%	5.1%

TAX @.32	1632
*PAT $	3468
*PAT %	3.5%

*ADJUSTMENT FOR EXCESS OVERHEAD ASSOCIATED WITH LARGE OPPORTUNITIES
PER PET METHODOLOGY FOR GRS REV > $25M PER YR (3 YR. MIN.).
(3RD PARTY INCLUDED IN THE DETERMINATION OF >25M AMOUNT)

**Portion of Third Party includes MCS related third party activity, e.g. Prime and Wang Maintenance.

[5 YEAR GEAE OUTSOURCING CONTRACT WITH HEADER ALLOWANCE ALLOCATED TO LOB'S]

09-Aug-93 SIMULATED PET MODEL (V3)
PETHDR GEAE OUTSOURCING

YRS: 5

SYSTEM INTEGRATION P&L
with Services Detail
Total Opportunity
(000$)
[HEADER ALLOWANCE ALLOCATED TO LOB'S]

	Digital Prod	DPS	FMS	REPO/REPUR	*** 3RD PTY	TAXES	TOTAL
		-------------	SERVICES	-------			
	====	====	====	====	====	====	====
GROSS REVENUE	7148	36553	44160	2366	39607	174	130008
DISCOUNTS	1300	14456	0	0	0		15756
ALLOWANCES		2359			2659		5018
HDR ALLOW PORTION**	546	2793	3387	181	3026	0	9934
NOR	5302	16945	40773	2185	33922	174	99300
DELIVERY COST	1031	10671	27007	1972	34441	174	75296
BID COST	81	79	672	0	163	0	995
PROGRAM MARGIN $	4190	6195	13094	213	-682	0	23009
PROGRAM MARGIN %	79.0%	36.6%	32.1%	9.8%	-2.0%	0.0%	23.2%
ODC	726	0	0	0	0	0	726
SELLING EXPENSE	17	15	17	0	23	0	72
FIELD OVERHEAD	575	3032	8664	104	1358	5	13738
*FLD OH - ADJ	-52	-273	-779	-9	-122	0	-1235
FCM $	2924	3421	5192	118	-1941	-5	9708
FCM %	55.1%	20.2%	12.7%	5.4%	-5.7%	-2.9%	9.8%
CORP OH	1005	2133	1842	30	0	0	5010
*CORP - ADJ	-81	-171	-148	-2	0	0	-402
*PBT $	2000	1459	3498	90	-1941	-5	5100
*PBT %	37.7%	8.6%	8.6%	4.1%	-5.7%	-2.9%	5.1%

TAX @.32	1632
*PAT $	3468
*PAT %	3.5%

*ADJUSTMENT FOR EXCESS OVERHEAD ASSOCIATED WITH LARGE OPPORTUNITIES
PER PET METHODOLOGY FOR GRS REV > $25M PER YR (3 YR. MIN.).
(3RD PARTY INCLUDED IN THE DETERMINATION OF >25M AMOUNT)

**HEADER ALLOWANCE PORTION WAS SPLIT ACROSS LOB'S PER AMOUNT OF GROSS REV.

***PORTION OF THIRD PARTY INCLUDES MCS RELATED THIRD PARTY ACTIVITY, e.g.
PRIME AND WANG MAINTENANCE.

[5 YR PROGRAM CONTRACT - BROKEN OUT BY YEAR]

09-Aug-93 PET INPUT RECAP

SMOOTH4 GEAE OUTSOURCING

(INCL. FACTORING FOR >25M) EXCLUDES WKSTN HW AND STAFF

	YR 0	YR 1	YR 2	YR 3	YR 4	YR 5	TOTAL
	====	====	====	====	====	====	====
GROSS REVENUE		32959	28547	24284	22419	21799	130008
DISCOUNTS		3406	3367	3164	2984	2835	15756
ALLOWANCES		1353	1165	901	814	785	5018
ADD'L ALLOWANCE		440	440	440	440	440	2200
OTHER ALLOWANCE		1960	1035	175	1566	2998	7734
NOR		25800	22540	19604	16615	14741	99300
DELIVERY COST		20432	16971	13818	12237	11838	75296
BID COST	995						995
PROGRAM MARGIN $	-995	5368	5569	5786	4378	2903	23009
PROGRAM MARGIN %		20.8%	24.7%	29.5%	26.3%	19.7%	23.2%
ODC		61	143	174	174	174	726
SELLING EXPENSE		22	12	13	12	13	72
FIELD OVERHEAD	0	3627	2898	2492	2364	2356	13737
FLD OVHD ADJ		-876	-360	0	0	0	-1236
FCM $	-995	2534	2876	3107	1828	360	9710
FCM %	ERR	9.8%	12.8%	15.8%	11.0%	2.4%	9.8%
CORP OH		1126	1049	976	938	920	5009
CORP OVHD ADJ		-272	-130	0	0	0	-402
*PBT $ (W/ADJ)	-995	1680	1957	2131	890	-560	5103
*PBT % - (W/ADJ)	ERR	6.5%	8.7%	10.9%	5.4%	-3.8%	5.1%
TAX @.32	-318	538	626	682	285	-179	1633

[CASH FLOW MODEL - GEAE OUTSOURCING 5 YEAR CONTRACT]

09-Aug-93 IRR INVESTMENT ANALYSIS - WITH NEW PET CHANGES
GEAE OUTSOURCING OPPORTUNITY

CASHIRR3

	YR 0	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	TOTAL
	======	======	======	======	======	======	======	======
NOR	0	25800	22540	19604	16615	14741	0	99300
+PROFIT AFTER TAX	-677	1142	1331	1449	605	-381	0	3469
-CAPITAL INVESTMENT		2980	532	0	0	0	0	3512
+DEPRECIATION-NEW		187	320	243	156	125	0	1031
+DEPRECIATION-GEAE REPO		233	467	467	233	0	0	1400
+DEPRECIATION-REFURB		49	144	191	142	46	0	572
+SALVAGE VALUE							83	83
+DEPREC. FACIL		86	85	85	85	85		426
+/- AP CHANGE (30)	0	446	-13	-54	-36	-5	-338	0
+/- AR CHANGE (50) *	0	0	0	0	0	0	0	0
INVENTORY CHANGE								

	YR 0	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	TOTAL
NET CASH FLOW	-677	-837	1802	2381	1185	-130	-255	3469
CUM CASH FLOW	-677	-1514	288	2669	3854	3724	3469	

IRR= 74.1% ||
||
PAYBACK= 1.84 YRS ||

NPV @.15 1762 $K
NPV @.25 1121 $K
NPV @.35 700 $K

[NOTE: A/R SHOWN AS 0 DUE TO REQUIRED QUARTERLY PAYMENTS INVOICED IN ADVANCE.]

[EXCLUDES 5TH YEAR OF CONTRACT]

09-Aug-93 SIMULATED PET MODEL (V3)
ADJ4YR GEAE OUTSOURCING

YRS: 4 SYSTEM INTEGRATION P&L
with Services Detail
Total Opportunity
(000$)

	Digital Prod	DPS	FMS	REPO/REPUR	** 3RD PTY	TAXES	OTH-HDR	TOTAL
	====	====	====	====	====	====	====	====
GROSS REVENUE	5477	30168	36220	2311	33869	164	0	108209
DISCOUNTS	996	11925	0	0	0			12921
ALLOWANCES		1952			2281		6496	10729
NOR	4481	16291	36220	2311	31588	164	-6496	84559
DELIVERY COST	906	8827	22183	1926	29452	164		63458
BID COST	81	79	672	0	162	0		994
PROGRAM MARGIN $	3494	7385	13365	385	1974	0	-6496	20107
PROGRAM MARGIN %	78.0%	45.3%	36.9%	16.7%	6.2%	0.0%	100.0%	23.8%
ODC	553	0	0	0	0	0		553
SELLING EXPENSE	14	12	14	0	19	0		59
FIELD OVERHEAD	443	2514	7150	102	1167	5		11381
*FLD OH - ADJ	-48	-273	-776	-11	-127	-1		-1236
FCM $	2532	5132	6977	294	915	-4	-6496	9350
FCM %	56.5%	31.5%	19.3%	12.7%	2.9%	-2.4%	100.0%	11.1%
CORP OH	777	1766	1520	28	0	0		4091
*CORP - ADJ	-76	-174	-149	-3	0			-402
*PBT $	1831	3540	5606	269	915	-4	-6496	5661
*PBT %	40.9%	21.7%	15.5%	11.6%	2.9%	-2.4%	100.0%	6.7%

TAX @.32	1812
*PAT $	3849
*PAT %	4.6%

*ADJUSTMENT FOR EXCESS OVERHEAD ASSOCIATED WITH LARGE OPPORTUNITIES PER PET METHODOLOGY FOR GRS REV > $25M PER YR (3 YR. MIN.). (3RD PARTY INCLUDED IN THE DETERMINATION OF >25M AMOUNT)

**Portion of Third Party includes MCS related activity; e.g. Prime and Wang Maintenance.

[EXCLUDES 5TH YEAR OF DEAL WITH HEADER ALLOWANCE ALLOCATED]

09-Aug-93 SIMULATED PET MODEL (V3)

HDR4YR GEAE OUTSOURCING

YRS: 4 SYSTEM INTEGRATION P&L

with Services Detail

Total Opportunity

(000$)

[HEADER ALLOWANCE ALLOCATED TO LOB'S]

	Digital	-------------SERVICES-------			***		
	Prod	DPS	FMS	REPO/REPUR	3RD PTY	TAXES	TOTAL
	====	====	====	====	====	====	====
GROSS REVENUE	5477	30168	36220	2311	33869	164	108209
DISCOUNTS	996	11925	0	0	0		12921
ALLOWANCES		1952			2281		4233
HDR ALLOW PORTION**	329	1811	2184	139	2033	0	6496
NOR	4152	14480	34036	2172	29555	164	84559
DELIVERY COST	906	8827	22183	1926	29452	164	63458
BID COST	81	79	672	0	163	0	995
PROGRAM MARGIN $	3165	5574	11181	246	-60	0	20106
PROGRAM MARGIN %	76.2%	38.5%	32.8%	11.3%	-0.2%	0.0%	23.8%
ODC	553	0	0	0	0	0	553
SELLING EXPENSE	14	12	14	0	19	0	59
FIELD OVERHEAD	443	2514	7150	102	1167	5	11381
*FLD OH - ADJ	-48	-273	-776	-11	-127	-1	-1236
FCM $	2203	3321	4793	155	-1119	-4	9349
FCM %	53.1%	22.9%	14.1%	7.1%	-3.8%	-2.4%	11.1%
CORP OH	777	1766	1520	28	0	0	4091
*CORP - ADJ	-76	-174	-149	-3	0	0	-402
*PBT $	1502	1729	3422	130	-1119	-4	5660
*PBT %	36.2%	11.9%	10.1%	6.0%	-3.8%	-2.4%	6.7%

TAX @.32	1811
*PAT $	3849
*PAT %	4.6%

*ADJUSTMENT FOR EXCESS OVERHEAD ASSOCIATED WITH LARGE OPPORTUNITIES PER PET METHODOLOGY FOR GRS REV > $25M PER YR (3 YR. MIN.). (3RD PARTY INCLUDED IN THE DETERMINATION OF >25M AMOUNT)

**HEADER ALLOWANCE PORTION WAS SPLIT ACROSS LOB'S PER AMOUNT OF GROSS REV

***PORTION OF THIRD PARTY INCLUDES MCS RELATED THIRD PARTY ACTIVITY, LIKE PRIME AND WANG MAINTENANCE.

[EXCLUDES 5TH YEAR OF DEAL]

09-Aug-93 PET INPUT RECAP
4YRSIGR GEAE OUTSOURCING
(INCL. FACTORING
FOR >25M) EXCLUDES WKSTN HW AND STAFF

	YR 0	YR 1	YR 2	YR 3	YR 4	TOTAL
	====	====	====	====	====	====
GROSS REVENUE		32959	28547	24284	22419	108209
DISCOUNTS		3406	3367	3164	2984	12921
ALLOWANCES		1353	1165	901	814	4233
ADD'L ALLOWANCE		440	440	440	440	1760
OTHER ALLOWANCE		1960	1035	175	1566	4736
NOR		25800	22540	19604	16615	84559
DELIVERY COST		20432	16971	13818	12237	63458
BID COST	995					995
PROGRAM MARGIN $	-995	5368	5569	5786	4378	20106
PROGRAM MARGIN %		20.8%	24.7%	29.5%	26.3%	23.8%
ODC		61	143	174	174	552
SELLING EXPENSE		22	12	13	12	59
FIELD OVERHEAD	0	3627	2898	2492	2364	11381
FLD OVHD ADJ		-876	-360	0	0	-1236
FCM $	-995	2534	2876	3107	1828	9350
FCM %	ERR	9.8%	12.8%	15.8%	11.0%	11.1%
CORP OH		1126	1049	976	938	4089
CORP OVHD ADJ		-272	-130	0	0	-402
*PBT $ (W/ADJ)	-995	1680	1957	2131	890	5663
*PBT % - (W/ADJ)	ERR	6.5%	8.7%	10.9%	5.4%	6.7%
TAX @.32	-318	538	626	682	285	1812

*PAT $	-677	1142	1331	1449	605	3851
*PAT %		4.4%	5.9%	7.4%	3.6%	4.6%

[EXCLUDES 5TH YEAR - CASH FLOW ANALYSIS]

09-Aug-93 IRR INVESTMENT ANALYSIS - WITH NEW PET CHANGES

GEAE OUTSOURCING OPPORTUNITY

4YRIRR

**4 YEAR DEAL SCENARIO (OPTION YEAR NOT PURSUED)

	YR 0	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	TOTAL
	======	======	======	======	======	======	======	======
NOR	0	25800	22540	19604	16615	0	0	84559
+PROFIT AFTER TAX	-677	1142	1331	1449	605	0	0	3850
-CAPITAL INVESTMENT		2980	532	0	0	0	0	3512
+DEPRECIATION-NEW		187	320	243	156	0	0	906
+DEPRECIATION-GEAE REPO		233	467	467	233	0	0	1400
+DEPRECIATION-REFURB		49	144	191	142	0	0	526
+SALVAGE VALUE						339	0	339
+DEPREC. FACIL		86	85	85	85	0	0	341
+/- AP CHANGE (30)	0	446	-13	-54	-36	-343	0	0
+/- AR CHANGE (50) *	0	0	0	0	0	0	0	0
INVENTORY CHANGE								

	YR 0	YR 1	YR 2	YR 3	YR 4	YR 5	TOTAL
NET CASH FLOW	-677	-837	1802	2381	1185	-4	3850
CUM CASH FLOW	-677	-1514	288	2669	3854	3850	

IRR= 75.2% ||

||

PAYBACK= 1.84 YRS ||

NPV @.15 1912 $K

NPV @.25 1208 $K

NPV @.35 752 $K

[NOTE: A/R SHOWN AS 0 DUE TO REQUIRED QUARTERLY PAYMENTS INVOICED IN ADVANCE.]

09-Aug-93 LOB NOR BREAKOUT BETWEEN FMS AND MCS (HPS,SPS, AND 3P MCS)

LOB.WK3 GEAE OUTSOURCING

	YR1	YR2	YR3	YR4	SUB TOTAL	YR5	TOTAL
	===	===	===	===	===	===	===
REVENUE (NOR)							
HPS	2525	2405	2282	1785	8998	1354	10352
SPS	1327	1468	1440	1260	5494	1086	6580
SUB TOTAL	3852	3874	3722	3045	14492	2440	16932
MCS-3RD PARTY:							
PRIME & WANG	1016	944	374	0	2334	0	2334
TANDEM	18	18	18	18	72	18	90
CONVEX T&M	40	40	40	40	160	40	200
NCR T&M	40	40	40	40	160	40	200
SUB TOTAL	1114	1042	472	98	2726	98	2824
TOTAL DPS + 3P	4966	4916	4194	3143	17218	2538	19756
FMS REVENUE (NOR)	20834	17624	15410	13472	67341	12203	79544
TOTAL PROGRAM NOR	25800	22540	19604	16615	84559	14741	99300

NOTE: HEADER ALLOWANCE IS ACCOMMODATED IN THE ABOVE NUMBERS.
EACH YEAR REPRESENTS 12 MONTHS AND DOES NOT EXACTLY MATCH FISCAL YEAR.

THIS CHART BREAKS OUT THE FMS AND MCS COMPONENTS OF THE PROGRAM. SOME COMPONENTS OF THE PROGRAM ARE BEING REVIEWED TO DETERMINE APPROPRIATE LOB. SR. MGT. WILL DETERMINE WHETHER THE PROGRAM WILL BE SPLIT FOR REVENUE PURPOSES BETWEEN MCS AND FMS.

file
General
Electric
(Outsourcing)
9E PAE
accounts engines

Contents

I. MID-SIZE COMPUTING OUTSOURCE AGREEMENT

MID-SIZE COMPUTING OUTSOURCE AGREEMENT

Agreement made this __ day of ___, by and between **Digital Equipment Corporation**, having a principal place of business at 146 Main Street, Maynard, Massachusetts **(hereinafter "DIGITAL") and General Electric Company**, a New York corporation, acting **through General Electric Aircraft Engines** having a principal place of business at One Neumann Way, Evendale, Ohio 45215-6301 **(hereinafter "GE")**.

WHEREAS, GE issued an Request for Proposal (RFQ #673-DCP92) and Addendums (RFQ #673-DCP92-1, RFQ #673-DCP92-2, and RFQ #673Q-DCP92-3) requesting interested vendors to bid on an opportunity to provide GE with the outsourcing of mid-frame computing;

WHEREAS, DIGITAL submitted a Proposal to GE's RFQ on July 22, 1992 and was selected by GE as the vendor of choice for the Program and wishes to negotiate this Agreement to reflect all of the terms and conditions of providing Service herein;

WHEREAS, DIGITAL and GE have participated in a discovery process (herein "discovery") to provide DIGITAL and GE with additional information and assistance to determine the final scope and price of this Outsource Agreement; and

WHEREAS, the parties have come to final agreement on the scope of this Outsource Agreement.

Now THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, the parties agree as follows:

1. TERM

The initial term of the Agreement shall be for five (5) years from the Commencement Date. This Agreement shall continue in effect for the Initial Term unless terminated in accordance with the provisions of Section 16 of this Agreement. After the Initial Term, the Agreement will be renewed for successive one (1) year terms unless renegotiated for longer successive term, or notice is given by either party a minimum of twelve (12) months prior written notice of its intent to terminate the Agreement at the conclusion of the then current term.

2. DEFINITIONS

a. **Agents.** Any third party appointed by DIGITAL to perform Services or undertake other obligations either directly to GE or to DIGITAL.

b. **Assets**: All equipment specifically defined in Schedule A of this Agreement.

c. **Commencement Date**: The date the Services under this Agreement shall begin.

d. **Customer Premises**: All GE controlled areas where DIGITAL employees, agents, consultants and subcontractors are to perform Services under this Agreement.

e. **Day**: A standard business day (8:00 A.M. to 5:00 P.M., Monday through Friday), excluding weekends and GE's locally observed holidays.

f. **Defects**: Failure of the Services to conform to the applicable Service Level Agreements which is not attributable to the fault or negligence of GE.

g. **DIGITAL Packaged Application Software**: Software which has been previously developed by DIGITAL, made generally available to customers but is not a standard Software Product.

h. **DIGITAL Site**: Any location or locations owned, leased or licensed by DIGITAL for the siting of DIGITAL employees, nodes, Equipment, Software and other Network Equipment for the purposes of servicing and monitoring GE systems off-site. The present locations of these sites are defined in the Statement of Work.

i. **Documentation**: Manuals, handbooks, maintenance libraries, listings and other publications which DIGITAL, or its Subcontractors, normally supply with Products or Services furnished hereunder; or as provided by GE on Assets.

j. **Environmental and Safety Laws**: All federal, state and local statutes, laws, ordinances, rules and regulations and judicial and administrative orders, rulings and decisions relating to work place safety, pollution or protection of human health or the environment, as are applicable to GE, including without limitation, laws and regulations relating to emissions, discharges, releases or threatened releases of Hazardous Substances, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances.

k. **Equipment**: Computer hardware, accessories, and any other tangible items (not including Software) as furnished by DIGITAL which are used in the provision of Services.

l. **GE Software**: All software which is owned by GE (and not proprietary to any other party) and provided to or access granted DIGITAL in connection with the performance of Services.

m. **Hazardous Substances**: Any chemical, substance, waste or material which is deemed hazardous, toxic, a pollutant or contaminant, under any federal, state or local statute, law, ordinance, rule, regulation, or judicial or administrative order or decision applicable to GE.

n. **Network**: Any physical and logical communications network, consisting of all hubs, nodes, interconnecting lines, modems, and other communications equipment and facilities (but excluding any Network Management Center and any equipment of GE used to interconnect to the Network Demarcation Point as defined in Schedule K) and as may from time to time be expanded and extended by written agreement of DIGITAL and GE pursuant to the terms of this Agreement.

o. **Products**: DIGITAL or Subcontractor Standard Equipment and Software Products furnished or utilized in the performance of the Services.

p. **Program Manager**: A DIGITAL representative to be the principal contact for the other party and who shall have responsibility and authority as described in Section 4.

q. **Services**: Consulting, integration, implementation, installation, maintenance, support, design, development, and other work furnished by DIGITAL or Subcontractors' personnel in connection with meeting DIGITAL's responsibilities hereunder.

r. **Service Cutover**- DIGITAL shall provide written notice to GE of the date that Service Cutover will occur and DIGITAL will have used reasonable efforts to:

   i. obtain all necessary security clearances for it's staff; and

   ii. agency letters have been sent to the appropriate equipment, maintenance, software suppliers as well as the appropriate lessors of affected Assets.

   Once Notice of Service Cutover has been given GE, DIGITAL may begin to invoice for Services.

s. **Service Level Agreements**: The complete and exclusive descriptions of the Services to be performed. There are two versions currently planned by the parties. The first set are the Interim Service Level Agreements which are effective upon Commencement Date, and continue for one hundred eighty (180) days thereafter, unless extended by the mutual written agreement by the parties. The second set are the Final Service Level Agreements which must be mutually agreed to by the parties in writing as per Section 5 of this Agreement.

t. **Software**: A set of instructions consisting of a program or routine, or other information including applicable databases, used by computer equipment. Software may be in either object or source code form, and may be stored in a variety of media, including magnetic tape or disk, CD ROM, and integrated circuits ("firmware"). Unless otherwise specifically stated, software is furnished in object code form only.

u. **Statement of Work**: The Statement of Work describes the manner in which the Services are to be performed by DIGITAL under this Agreement attached as Exhibit A.

v. **Subcontractor**: Any third party retained by DIGITAL to furnish Products, and/or Services hereunder either directly to GE or to DIGITAL.

w. **Third Party Software**: Any Software which is proprietary to any other party other than DIGITAL and GE.

x. **Transition Plan**: A mutually developed schedule and plan to transfer the Assets install Services and access to Software from GE to DIGITAL which includes but is not limited to the outline In Section 7 of the Statement of Work.

y. **Transfer Date**: The date the Assets are transferred from GE to DIGITAL.

z. **Verification Period** - The one hundred eighty (180) day period in which DIGITAL and GE jointly develop and mutually agree to Final Service Level Agreements as per Section 5 of this Agreement.

3. SCOPE OF THE AGREEMENT

3.1 The scope of this Agreement shall be as defined in Appendix A of the Statement of Work.

3.2 GE agrees that DIGITAL shall supply all services related to in-scope business processes as defined in Statement of Work attached as Exhibit A during the term of this Agreement.

3.3 The scope of this Agreement may be modified through the Change Management Process as defined in Section 6.0 of this Agreement.

4. JOINT RESPONSIBILITIES

4.1 GE Responsibilities

a. Computing and Technical Services Manager and any designees who shall be the principal contact for DIGITAL, and shall have responsibility to render or obtain in a timely manner any GE decisions required to permit DIGITAL to meet its responsibilities under the Service Level Agreements and the Statement of Work contained herein. GE's CTS Manager or his designee(s) shall be responsible for accepting or rejecting deliverables, authorizing payments, and reviewing status reports, including without limitation, changes to the Service Level Agreements.

b. GE shall make reasonable efforts to use the Products provided by DIGITAL in compliance with the operating instructions and all applicable laws and regulations and for no other purpose than that for which they were designed and provided.

c. GE shall cooperate in arranging for an orderly, effective transition of operational control of any resources and facilities covered under this Agreement and shall cooperate in effectuating their other respective obligations under this Agreement. Subject to GE security requirements provided such security requirements have been reviewed and accepted by DIGITAL, GE will provide DIGITAL and DIGITAL's subcontractors all required availability and access to its premises and personnel, to afford such effective transition, similar to that previously offered GE personnel providing similar services.

d. GE warrants and represents to the best of the GE's knowledge, that during the discovery period and up to the time the Agreement is executed, all information and data supplied to DIGITAL for and relevant to the scope of the Agreement, Statement of Work, and Service Level Agreements will be current, complete and accurate. If information provided by GE is materially incorrect, or if at any time the information contained in any Change Request made by GE in conformity with Section 6.0 of this Agreement is found to be materially incomplete or incorrect, then any work required to correct problems created by the use of such information shall be treated as a GE Change Request and shall be subject to the Change Management Process as defined in Section 6.0 of this Agreement.

e. DIGITAL shall have no access nor grant access to GE networks without GE's prior written approval of such connection. GE is responsible for providing all resources and technology as required in the Statement of Work and Service Level Agreements, including without limitation, the connectivity and adequate network bandwidth currently installed by GE. DIGITAL will not be responsible for failure to meet Final Service Level Agreement levels caused by network changes performed outside change management process.

f. GE will make available without charge all existing media (tapes and disks) associated with the Assets to enable DIGITAL to perform the Services, as well as all third party maintenance records and documentation, subject to the proprietary provisions included in Section 10 herein.

g. Except as otherwise provided in this Agreement, GE shall be responsible for providing at no charge to DIGITAL, a safe and suitable site as defined by the manufacturer's current environmental standards, on GE's premises for Equipment and Software to be installed and to operate under this Agreement. GE shall be responsible for insuring proper electrical power, air conditioning, floor space, network cabling, and all other physical requirements necessary for DIGITAL to perform the Service. Any necessary change to the environmental standards due to the provision of Services by DIGITAL shall be reviewed and agreed to by the parties via the Change Management process.

4.2 DIGITAL Responsibilities.

a. DIGITAL shall assign a Digital Program Manager who shall be the principal contact for GE, and who shall have responsibility to render or obtain in a timely manner any GE decisions required to permit DIGITAL to meet its responsibilities under the Service Level Agreements and the Statement of Work. DIGITAL's Program Manager or his designee(s) shall be responsible for accepting or rejecting deliverables, authorizing payments, reviewing status reports, and approving changes to this Agreement on behalf of DIGITAL, including without limitation, changes to the Service Level Agreements.

b. DIGITAL shall provide qualified personnel with suitable training and experience to perform Services. DIGITAL will discuss with GE any objections GE may have regarding any employees dedicated to the Program and if DIGITAL determines that GE's concerns are reasonable, DIGITAL shall take prompt appropriate action.

c. DIGITAL's performance of its service obligations hereunder is contingent upon DIGITAL's ability to acquire replacement parts, software support, maintenance and specially trained technicians for Products provided hereunder. In the event parts or technicians become unavailable, DIGITAL will use reasonable efforts to procure equivalent parts, software or technicians. DIGITAL shall be excused from its Service obligations hereunder in the event said spare parts, software support, maintenance and specially trained technician become commercially unavailable to DIGITAL for any reason including, but not limited to cessation of operations or bankruptcy of any third party vendors or Subcontractors after DIGITAL has exhausted all reasonable means to obtain the service or parts and has previously consulted with GE.

   DIGITAL shall provide GE with ninety (90) days where feasible, written notice of it's intent to invoke Section 4.2 (c), upon which GE has the option of:

   i. withdrawing the Products from the scope of this Agreement; or,
   ii. request DIGITAL to provide a separate quotation or migration plan to migrate the Product to another Product having equivalent functionality.

d. DIGITAL shall exercise due care in the installation and maintenance of GE's third party software licenses and will not knowingly violate any license terms.

e. DIGITAL shall comply with all reasonable GE environmental, health and safety regulations, provided DIGITAL has had a reasonable opportunity to review and approve these regulations prior to implementation.

5. SERVICE LEVEL AGREEMENTS AND STATEMENT OF WORK

DIGITAL and GE have agreed to commence this Agreement pursuant to the interim Service Level Agreement and interim Statement of Work as Exhibit A.

5.1 The Statement of Work describes the Services and work to be performed, the specific responsibilities of the Parties, and scheduling information.

5.2 It is acknowledged and understood that the Interim Service Level Agreements in effect upon Commencement Date are based on a preliminary understanding of

GE's requirements. DIGITAL and GE have agreed to develop Final Service Level Agreements for all environments during the one hundred and eighty (180) days after Commencement Date. DIGITAL and GE will work cooperatively to develop a set of Final Service Level Agreements at the completion of the one hundred eighty (180) day Verification Period.

Final Service Level Agreements will reflect the service delivery levels in place at the time of contract award, unless modified by the Change Management Process. DIGITAL and GE agree to jointly promote acceptability of Final Service Level Agreements to the end user communities.

5.3 The Verification period will allow DIGITAL and GE to cooperate to:

a. define the levels of service required;

b. test and draft the Final Service Level Agreements.

c. Adjust the proposed Final Service Level Agreements to reflect actual performance; and

d. submit any potential price modifications due to the proposed Final Service Level Agreements to GE.

5.4 It is assumed by the parties that the pricing on the Final Service Level Agreements shall not exceed the pricing on the Interim Service Level Agreements unless a change in coverage is requested. Any change in coverage shall be managed by the Change Management Process.

5.5 DIGITAL shall submit the prepared Final Service Level Agreements and any necessary price modifications to the GE for final approval no less than thirty (30) days prior to the completion of the Verification Period.

5.6 During the next fifteen (15) days, GE shall review the proposed Final Service Level Agreements and provide DIGITAL with any written objections and/or modifications to the Final Service Level Agreements during the fifteen (15) day period.

5.7 If GE rejects the Service Level Agreements and/or Statement of Work or if GE's comments cannot be accepted by DIGITAL, the parties may agree to the following:

a. the parties may agree to enter into an additional six (6) month evaluation period in which time the Interim Service Levels shall remain in place;

b. either party may offer a compromise to resolve the outstanding differences for the consideration of the other party; or

c. upon the expiration of thirty (30) days without either of the parties agreeing to enter into another six (6) month evaluation or to settle the outstanding differences, either party may seek to terminate this Agreement as provided in Section 16.3 of this Agreement.

5.8 When completed after the Verification period, the Final Service Level Agreements shall be incorporated as if they were set forth in this Agreement. DIGITAL may satisfy portions of its obligations by using Products, Custom Products and Services not supplied directly by DIGITAL.

Should concealed conditions be encountered in the performance of work by DIGITAL, or should circumstances be unknown to DIGITAL as of the date of this Agreement, which are of an unusual nature or are materially different from those ordinarily encountered, the Parties shall use mutual, good faith efforts to resolve all such problems and review the price, Statement of Work, Service Level Agreements and Schedules as per the Change Management Process as stated in Section 6. In the event no resolution can be reached between the parties, Section 21, Issue Resolution may be invoked.

5.9 Both the Service Level Agreements and Statement of Work may be modified in accordance with the Change Management Process provisions of Section 6 of this Agreement.

6. CHANGE MANAGEMENT PROCESS

6.1 The Change Management process outlined in Appendix B of the Statement of Work is hereby incorporated herein.

6.2 DIGITAL has planned two Customer Management Centers (CMC's) based on GE's current manufacturing locations as of Commencement Date. GE agrees to give DIGITAL six (6) months written notice of the closing of any manufacturing facility; or of the substantial change of in-scope business processes currently performed at any site. Substantial change shall be defined as an increase or decrease in GE utilization of the Services by twenty (20%) percent of the current utilization level. In the event that DIGITAL and GE agree that DIGITAL must relocate its staff to perform Services hereunder due to GE's decision to reduce operations or closing of a facility, GE agrees to reimburse DIGITAL for the cost to relocate DIGITAL employees and equipment. ?!

DIGITAL reserves the sole right, at its own cost, to relocate or consolidate CMC's for any reason.

6.3 It is the understanding of the parties that there may be some opportunities for DIGITAL and GE to share the risks and rewards of implementing changes to the computing environment. Risks undertaken and borne by DIGITAL to achieve productivity gains and cost savings shall be to DIGITAL's reward. However, those risks borne by GE will result in the rewards being enjoyed by GE. The parties have agreed to allocate these risks and rewards through the Change Management Process as provided in the Statement of Work. The party seeking the change shall submit a change order stating the risks and potential rewards to both GE and DIGITAL and they shall mutually agree to share via allocation of those risks and rewards to the GE and DIGITAL, as necessary. Any third party use of Products used by DIGITAL to provide Services hereunder shall be considered an opportunity that must be reviewed and approved by the parties.

7. ACQUISITION OF CUSTOMER ASSETS

7.1 The Parties have agreed that the current estimated purchase price range of the Assets to be transferred to DIGITAL is $1 million to $2 million at the fair market value of the Assets. The final price shall be established by GE and DIGITAL after completion of the physical inventory and valuation by the independent third party consultant. In no event shall the purchase price of these Assets exceed $1.4 million unless mutually agreed to in writing by the parties.

7.2 During the first one hundred twenty (120) days after the Commencement Date, DIGITAL and GE have agreed to utilize the services of an independent third party consultant to assist in the physical inventory and valuation process. The actual work of the physical inventory and valuation will be performed by representatives of GE and DIGITAL. GE and DIGITAL have agreed to share in the cost of using an independent third party consultant and the price of the consultant's services, provided both DIGITAL and GE have agreed in writing to the cost and selection of such third party consultant.

7.3 All Assets that are subject to a lease agreement shall be assigned to DIGITAL as defined on Schedule F attached hereto.

7.4 DIGITAL shall grant GE a credit in the amount determined by the final inventory of the assets purchased, which credit will be applied against the payment or payments by GE to DIGITAL for the Services to be performed under this Agreements. Cash Payment (by Check) will be provided in lieu of a credit if GE so requires.

7.5 Title to the Assets shall pass to DIGITAL upon Transfer Date and passage of title shall include the conveyance of all necessary Intellectual Property Rights required to use and operate the Assets. GE shall cooperate fully in assisting DIGITAL in all reasonable requests to provide and execute all other necessary documents to vest DIGITAL's interest in the Assets.

7.6 GE shall defend and hold DIGITAL harmless from any and all claims, liens, encumbrances and legal processes of GE's creditors and other persons who may claim the Assets.

7.7 The parties shall, in good faith, seek to resolve any issues which form the basis for rejection of a particular asset; however if no resolution can be achieved the attached Assets and associated Services may be declared by DIGITAL or GE to be out of the scope of this Agreement.

7.8 DIGITAL and GE reserve the right to retain any independent subcontractor or agent, at their sole cost, to perform the inventory or valuation of the Assets provided the requesting party has obtained the written notice and approval of the other party.

7.9 GE will provide DIGITAL rent-free space in the greater Evendale, Ohio area adequate for the purpose of providing output processing Services. GE agrees to provide all necessary utilities (including without limitation HVAC, lighting and electrical services) at no charge to DIGITAL as well as use of common areas in the building such as rest rooms and first aid to the same extent available to GE employees.

In the event that GE terminates the rent-free space, GE shall pay to DIGITAL the direct costs and expenses incurred by DIGITAL attributable to relocating the affected Equipment.

Regarding output processing services for Lynn, Massachusetts, DIGITAL agrees to provide all necessary utilities and space.

Within the first one hundred eighty (180) days of this Agreement, DIGITAL and GE will fund and conduct a joint study to determine the most efficient and effective means of performing output services in the near future. In the event that such study leads to greater proposed cost efficiencies or work being performed in a dramatically different manner than the way it is being performed today, DIGITAL and GE will invoke the Change Management process to determine cost allocation.

8. TRANSFER OF CUSTOMER LICENSE RIGHT

DIGITAL will support the Software as set forth on Schedules B, C, and D. All other Software together with administration, programming, enhancements on maintenance is excluded from the scope of service.

8.1 GE Software

a. GE Software required by DIGITAL to perform the Services hereunder will remain the property of GE as listed on Schedule E attached. GE will provide DIGITAL access to any information about GE Software which DIGITAL reasonably determines is necessary to perform the Services. Access formats and information about GE Software shall be made available to DIGITAL as DIGITAL may reasonably request, including GE's most recent Documentation.

b. GE hereby grants to DIGITAL the right to execute GE Software which executes on any Assets within scope of this Agreement, or those processors that support the systems under scope of this Agreement. All access to GE Software granted by GE to DIGITAL under this section will be subject to the following provisions:

   i. Operators. Except with the prior written consent of GE or to the extent required by natural disaster or similar emergency, the Programs shall not be operated, directly or indirectly, by persons other than employees, subcontractors or agents of DIGITAL or GE.

ii. GE Work. Except with the prior written consent of GE, only work/services required by GE under this Agreement shall be processed utilizing the GE Software.

iii. Confidentiality. DIGITAL will keep the GE Software confidential and will not disclose the GE Software or any of their various components or modifications to any third party or non-Program Digital employees not authorized to operate the GE Software under this Agreement. GE Software shall not be sold, licensed, assigned, leased or commercially exploited or marketed in any way, with or without charge, by DIGITAL or its employees, subcontractors or agents. Except to the extent required for normal operation and management of the GE Software in the day to day business operations of DIGITAL, DIGITAL will not permit the GE Software to be copied in whole or in part.

8.2 DIGITAL Software

DIGITAL Software is and will remain DIGITAL's property.

a. Operating Software

All valid DIGITAL Operating System Software installed on the Assets shall be transferred to DIGITAL on Transfer Date. Upon termination or expiration of this Agreement, GE may purchase a license from DIGITAL pursuant to Section 17 entitled "Disengagement".

b. Layered Software

DIGITAL Layered Software listed on Schedule B which is validly licensed to GE and installed on the Assets as of Commencement Date shall remain licensed to GE pursuant to the original license granted to GE by DIGITAL. All revisions and updates to the Layered Software on Schedule B after the Commencement Date shall be licensed to GE at expiration or termination of this Agreement.

DIGITAL Layered Software that is requested by GE during the term of this Agreement that is provided pursuant to a DIGITAL quote will be licensed to GE after termination or expiration of the Agreement. All other DIGITAL Layered Products provided during the term of this Agreement shall not transfer to GE upon termination of this Agreement.

c. Source Code

Additional terms apply to all software license orders for Source Code Software. GE must execute an appropriate DIGITAL Source Code License Agreement to obtain a license for Source Code Software.

8.3 Third Party Software

Third Party Software will remain the property of the Third Parties to which it is proprietary. GE has valid and up-to-date licenses for each item of Third Party Software currently installed on all Assets.

a. Operating Software

GE must transfer, sublicense or assign it's rights to all Third Party Operating System Software (and related documentation, database management systems, data and technical information) to DIGITAL as described on Schedule C, subject to all agreed upon terms and conditions by and among DIGITAL, GE and the owners and distributors of the Third Party Operating Software. This transfer, sublicense or assignment shall be done at the sole expense of GE.

In the event GE is not able or cannot transfer sublicense or assign the Third Party Operating Software installed on the Assets; GE may either 1) retain title to the Assets and Operating System; or 2) obtain a license for DIGITAL at GE'S sole expense.

b. Layered Software
   i. GE shall transfer, sublicense or assign it's rights to the Third Party Layered Software (and related documentation, database management systems, data and technical information) to DIGITAL as described on Schedule C subject to all agreed upon terms and conditions by and among DIGITAL, GE and the owners and distributors of the Third Party Layered Software. This transfer, sublicense or assignment shall be done at the sole expense of GE.
   ii. Agency
   In the event Third Party owner or distributor is unable or unwilling to transfer, sublicense or assign it's rights to Third Party Layered Software, the license shall remain with GE and DIGITAL will be designated in writing by GE as an agent acting on behalf of the GE for the sole purpose of providing Services hereunder as rated on Schedule D attached hereto.

c. GE warrants and represents that it has all right, license and interest necessary to effect the above transfer and agrees to and does willingly indemnify DIGITAL against any changes, demands or actions and any costs in expenses resulting from breach of this express warranty, including the cost of DIGITAL licensing non-assignable software directly from the Third Party.

d. In the event the software listed on Schedules B, C and D is not at the most current and valid version as of the Commencement Date for any reason and to any Third Party Software in scope during the term of this Agreement, DIGITAL and GE may:
   i. Immediately upgrade the software to the most current version as of the Commencement Date at GE's expense;

ii. use reasonable efforts to maintain the current version of the software, however this software and any System utilizing the software shall not be subject to any service levels as described in the Service Level Agreements; or

iii. prepare a migration plan to migrate the software to another product or a more current version pursuant to a separate DIGITAL quotation for such conversion and migration costs.

e. If Service Level Agreement, functionality or redundancy are adversely impacted by the GE introduction of any application Software, DIGITAL shall be excused from performing under any Service Level Agreements or any obligations or liabilities connected to such Service Level Agreements. DIGITAL shall be excused from any of its Service responsibilities if it is prevented from performing due to a Third Party or application software license restriction. The terms and conditions of any sublicense or license of such Third Party by DIGITAL and GE, and if required, the owners or distributors of Third Party Software.

f. Upon expiration or termination of this Agreement, DIGITAL will take all reasonable actions necessary to:

i. grant GE a sublicense to any Third Party Software;

ii. cause the third party owners or distributors of Third Party Software to grant to GE a license; or

iii. provide to GE an alternative that will grant GE or its designee the right to continue to perform.

g. GE shall be responsible to provide any notifications required by GE's licensors in order to effect this transfer, and shall execute such agreements and take such other actions as reasonably required in order to perfect the transfer.

h. New software product purchases for software supplied by vendors listed on Schedules C and D will follow the already established process. For new software product purchases for software supplied by new vendors, DIGITAL will establish assignment or limited agency agreements.

8.4 For Third Party software licenses that DIGITAL has included in Schedules C and D, DIGITAL will not thereafter unreasonably object to changes in the licensing provision, provided GE pays all increases in licensing costs or transfer fees related to such changes as imposed by the Third Party vendor. In the event DIGITAL objects to the licensing changes, the Third Party licenses at issue shall either 1) remain at the current version and current license terms or 2) declared out of scope.

8.5 Except as may be expressly provided elsewhere in this Agreement, DIGITAL's provision of the Services, and use or provision of any products in connection with DIGITAL's provision of the Services, or GE's use of any products, does not grant to GE any implied license, right or interest in any DIGITAL patents, copyrights, trade secrets or other intellectual property rights.

8.6 The license granted by DIGITAL hereunder shall include licenses under any copyrights, patents, maskwork rights, or trade secret rights existing in such Software, Specification and Documentation, whether or not made by or on behalf of GE, shall contain (as applicable) DIGITAL and/or its Subcontractor's copyright and other proprietary notices and shall not be furnished to any third party unless acting as GE'S employee or agent and under limitations consistent with these provisions. Except as expressly provided hereunder, no right, interest, license, or title to, or ownership of, such Software, Specifications, or Documentation shall pass to GE.

9. MAINTENANCE MATERIAL

Diagnostic Software, Documentation, equipment or other material used by DIGITAL in the performance of Services may be furnished with Products or stored at Purchaser's facility. DIGITAL grants no title or license to such material, and it remains the exclusive property of DIGITAL. Purchaser agrees to properly secure such material and not to use it in any manner or make it available to third parties without DIGITAL's prior consent.

10. PROPRIETARY INFORMATION

10.1 In the course of performing their obligations under this Agreement, it may be necessary for DIGITAL or GE to disclose to the other information that it considers to be confidential, proprietary or a trade secret ("Information").

10.2 This Section shall apply to the information disclosed by one party to another during the term of this Agreement.

a. All Information disclosed in tangible form (including but not limited to, printed matter, models, specimens, electronic media such as computer tapes, disks, drums, memories and the like) shall be considered Information;

b. All information disclosed in oral, electronic or visual forms;

c. All information shall include the Proprietary Information of Third parties necessary to perform duties under this Agreement.

i. Each party agrees to use the same degree of care (but not less than a reasonable standard of care) to protect Information from disclosure to third parties as it uses to protect its own proprietary information of similar importance. Disclosures of Information shall be restricted to the parties' employees who are directly participating in the efforts covered by this Agreement.

ii. Information shall be used and reproduced only in the connection with the parties' obligations under this Agreement. Any Information shall be restricted to A) the members of the DIGITAL Program responsible for delivery of Services hereunder; B) to others within DIGITAL outside the scope of the Program that have a need to know the Information; or C) summary overview of the Information may be discussed with DIGITAL or GE Corporate executives to secure approval and investment in this Program. Except as specifically stated herein, neither party grants to the other any right, title or interest, whether expressed or implied, in the Information or in any of its intellectual property rights.

iii. The limitations on reproduction, disclosure and use of Information shall lapse five (5) years following expiration or termination of this Agreement, or upon the occurrence of one of the following:

(1) the Information is publicly available or later becomes publicly available other than through a breach of this Agreement; or

(2) the Information is furnished to a third party by the disclosing party without similar proprietary restrictions on the third party's rights; or

(3) is independently developed by the receiving party; or

(4) is or becomes part of the general public knowledge or literature otherwise than as a consequence of breach of obligations under this Agreement; or

(5) disclosure of the Information is compelled by court order, or judicial or administrative process provided the party being compelled to disclose the Information promptly notifies the other party of the request or requirement to disclose so that the other party may contest such request or requirement.

10.3 In addition, a party shall not be liable for reproduction, disclosure or use of the Information disclosed to it if such Information is known to the party prior to such disclosure without any breach of the obligation of this Section 10 this Agreement; or is independently developed by the party subsequent to such disclosure without any breach; or is lawfully obtained by the party from a third party without obligations of proprietariness. DIGITAL, however, may disclose to its subcontractors Information necessary for DIGITAL to perform its obligations under the project, provided that an agreement which imposes non-disclosure obligations similar to those contained in this section is in effect with such other party.

10.4 These non-disclosure obligations shall not prevent either party from developing, acquiring or furnishing to its customers products or services similar to the Products or Services being furnished hereunder, provided that such is accomplished without use of the Information.

10.5 Upon termination of this Agreement, all tangible forms of Information shall be promptly returned to Discloser or destroyed at Discloser's options.

10.6 All Information shall be subject to the terms of Section 18 of this Agreement.

10.7 GE Data

A. Definition

1. GE Data shall mean all jet engine related software and documentation, delivered to DIGITAL by GE and all jet engine related data, databases, or other information such as the following:
   (a) input into DIGITAL's computer systems by or on behalf of GE;
   (b) delivered to DIGITAL for input into its computer systems pursuant to the terms of this Agreement;
   (c) stored on or processed by DIGITAL's computer systems for GE pursuant to the terms of the Agreement;
   (d) generated or produced using any such data, databases, or other information; or
   (e) transformed, altered, updated or revised using the Equipment and Assets owned by Digital while on GE's premises.
2. GE Data shall include all forms of any jet engine related software, data, databases, or other information, whether hard copy or machine readable and whether resident or stored on DIGITAL's computer system or transferred to tapes, disks, microfiche, or other media for off-line storage. Third Party and Digital Software and Documentation shall be excluded from the definition of GE Data.

B. Data and Confidentiality

1. GE Data shall remain the sole and exclusive property of GE. DIGITAL shall not have any right, title or ownership of the GE Data or any possessory interest of any kind in GE Data, except as outline in the Statement of Work and Service Level Agreements. In addition, DIGITAL shall use the GE Data to deliver Services as described in the Statement of Work and Service Level Agreements only.
2. GE Data removed from DIGITAL Equipment shall be delivered to a GE representative or DIGITAL may deliver it to a GE approved storage site or GE approved vendor. DIGITAL shall have no access to such storage areas unless provided by the Statement of Work. DIGITAL is expressly prohibited from otherwise storing or archiving GE Data.
3. DIGITAL may access the GE Data for the sole purpose of meeting it's obligations and Service Level Agreements as stated herein and for the sole and exclusive benefit of GE. Unless as provided in subsection 10.7 (B) 2 above, GE Data shall remain on Equipment and Assets owned by DIGITAL which are located on-site at GE and exclusively dedicated to the GE Data. Digital is expressly prohibited from accessing, viewing, reading, using, translating, copying printing, outputting, transmitting, disclosing, publishing, altering, indexing, retrieving, sharing or modifying GE Data without GE's prior written approval, other than to provide services as defined in the Statement of Work and Service Level Agreements only.
4. DIGITAL shall refer all requests from non-GE employees for GE Data to GE for consideration and response. Digital is prohibited from re-

sponding to any such request from a non-GE employee without GE's approval. In the event such request is incident to a legal proceeding, court order, judicial or administrative process, DIGITAL shall promptly notify GE Legal Operations so that GE may contest such request or requirement. DIGITAL shall reasonably cooperate with GE in contesting any such requirement.

5. DIGITAL shall have no right to withhold GE Data from GE. Upon GE's request, DIGITAL shall grant GE prompt access to all GE's Data which is then in DIGITAL's possession.

11. INTELLECTUAL PROPERTY INDEMNIFICATION

11.1 DIGITAL shall defend, at its expense, any claim (including any suit brought against GE) alleging that any Products furnished or Services provided hereunder infringe a United States patent, copyright, or maskwork right, and shall pay all costs and damages finally awarded, provided that GE gives DIGITAL prompt written notice of such claim, and information, reasonable assistance and sole authority to defend or settle the claim. In the defense or settlement of the claim, DIGITAL may obtain the right to continue providing the Services, modify the Services so they become non-infringing, or if such remedies are not reasonably available, terminate the Services and refund to GE any prepaid Service fee related thereto.

11.2 Notwithstanding the above, DIGITAL shall not have any liability for a claim alleging that the Products or Services, including any Custom Software, infringe a U.S. patent or copyright if the alleged infringement was furnished by GE, if the alleged infringement is the result of a modification made by GE, or if the infringement relates to any third party product incorporated into the Products or Services or the combination of DIGITAL Products or Services with any third party products or Services. DIGITAL disclaims all other liability for violation, misappropriation or infringement of intellectual property rights, and **FURTHER DISCLAIMS ANY LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS.**

11.3 Likewise, GE shall defend, at it's expense, any claim (including any suit brought against GE) alleging that any Assets or Products furnished or Services provided hereunder infringe a United States patent, copyright or mask work right, and shall pay all costs and damages finally awarded, provided that DIGITAL gives GE prompt written notice of such claim, and information, reasonable assistance and sole authority to defend as settle the claim. In defense and settlement of the claim, 1) with regard to any Products furnished hereunder, GE may obtain for DIGITAL the right to continue using the PRODUCTS, in place and modify the Products so they become non-infringing, in, if such remedies are not reasonably available, withdraw the Product and any related system out of scope under this Agreement, (2) with regard to the provision of any Services hereunder, GE may obtain the right to continue providing the Services, modify the Services so they become non-infringing, or if such remedies are unavailable, declare the Services and any related system out of the scope under this Agreement.

11.4 The purchase, license or use of any Products by GE does not convey any right to combine or connect any Products, protocols, or system architectures with Products other than Authorized Products where DIGITAL or its Subcontractors has one or more patents covering such combination or connection. Authorized Products are: (i) Products covered by an express license between DIGITAL and its Subcontractors and GE, (ii) Products distributed directly or indirectly by DIGITAL or its Subcontractors, or (iii) Products distributed directly or indirectly by any Licensee of DIGITAL or its Subcontractors whose license includes the right to resell or sublicense such Products.

11.5 Except as expressly set forth herein, DIGITAL and its Subcontractors grant no right, title, or interest in its intellectual property rights to GE.

12. WARRANTY

12.1 DIGITAL warrants that the Services provided hereunder shall be performed in a professional manner in accordance with the terms of the Interim or Final Service Level Agreements and Statement of Work as applicable; PROVIDED, HOWEVER, that this warranty is subject to the GE meeting its responsibilities as set forth in this Agreement.

12.2 **Except for the express warranties stated herein, DIGITAL and its subcontractors disclaim all warranties, both express and implied**, whether arising by or under statute, regulation or operation of law, including without limitation any implied warranties of merchantability and fitness for a particular purpose, and that stated express warranties are in lieu of any other obligations or liabilities on the part of DIGITAL and its Subcontractors which might arise out of or in connection with the performance of this Agreement.

13. WARRANTIES AND REPRESENTATIONS

GE makes the following warranties and representations:

13.1 GE warrants and represents that it has advised DIGITAL of any known defects, deficiencies and hazards of use of the Assets.

13.2 GE represents and warrants that it is the true and lawful owner of the Assets, including all related documentation, and GE has the right to transfer good and marketable title thereto, and to convey to DIGITAL the unencumbered right to use, modify, sell, lease, convey and otherwise transfer, utilize, manage and control the Assets, both free and clear of all claims, liabilities, liens, pledges, charges and encumbrances of any kind; and that it has not granted and will not grant to any third party any right to own or use the Assets in contravention of GE's sale and transfer hereunder and that there are no restrictions or other legal impediments either imposed by law, statute or regulation or by any instrument which would prevent DIGITAL from purchasing and taking possession and title of the Assets for the purposes and in the manner contemplated in this Agreement.

13.3 GE represents and warrants that it is not a party to, or to GE's best knowledge threatened with, and none of the Assets are subject to, any litigation, suit, action, investigation, proceeding or controversy before any court, administrative agency or other governmental authority which would have a material adverse effect on the Assets or any portion thereof; nor is GE knowingly in violation of or in default with respect to any judgment, order, writ, injunction, decree or rule of any court, administrative agency or governmental authority which would have a material adverse effect on the Assets or DIGITAL's rights hereunder.

13.4 GE warrants and represents that the Assets are, when utilized by a labor force substantial similar to that currently employed by GE as of the Commencement Date, adequate for use in their intended purpose under this Agreement.

14. TAXES

GE shall be responsible for, and all prices are exclusive of, any sales, use, service, or like taxes, if any. GE shall have no liability for, and DIGITAL shall be responsible for any taxes due based on DIGITAL's net income resulting from this Agreement.

15. PRICE AND PAYMENT

15.1 GE shall pay to DIGITAL for the Services the fee as set forth in Exhibit B attached hereto and incorporated herein. DIGITAL shall invoice GE for the Baseline Price which shall be pre-paid on a quarterly basis. Increases or decreases to the Baseline Price shall be billed on a quarterly basis. Payment of all invoices submitted to GE is in accordance with GE Standard Terms of Settlement (net forty (40) days).

15.2 Any change to the Services may result in a change in the Service fee provided the parties' have mutually agreed to the changes in Service and fees. The changes include, but are not limited to the following; changes to the Service Level Agreements, Statement of Work, scope, and the results of the one-time reconciliation as defined in Section 15.5 herein.

15.3 DIGITAL will install or deinstall computing capacity as required to meet Service Level Agreements. Increase/decrease in utilization requirements will be reflected in pricing adjustments referenced in Exhibit B attached hereto and incorporated herein.

15.4 DIGITAL and GE agree that the Services DIGITAL is delivering under this Agreement are unusually complex and implemented to meet a time sensitive GE timetable. As such, if additional resources beyond those listed in the Statement of Work, are required by DIGITAL to meet its obligations, and by using a reasonable standard of care, the need for such additional resources could not have been reasonably foreseen in the specific circumstances at the time of contract, GE agrees to renegotiate the pricing and terms in this Agreement in good faith. This paragraph will not affect the parties independent contractor relationship or the viability or enforceability of the Agreement.

15.5 GE warrants and represents that to the best of its knowledge the GE current baseline cost figures provided to DIGITAL during discovery and up to the execution of this Agreement are current, complete and accurate, except as disclosed otherwise to DIGITAL. GE acknowledges and understands that these current GE cost figures were a material part of the negotiations when developing the Baseline Price and the Increment/Decrement tables and these costs must be reconciled by DIGITAL, GE, and if necessary, a mutually agreed upon party (in the event of disagreement) with local supporting data in the sixty (60) days following Commencement Date. GE shall provide DIGITAL with all current and complete local supporting data to the baseline cost figures. DIGITAL, with GE's reasonable assistance shall reconcile this local supporting data with the cost figures.

In the event GE baseline cost figures do not reconcile with the local supporting data provided by GE, then DIGITAL and GE shall negotiate in good faith to change the Baseline Price and/or the Increment/Decrement tables as stated in Exhibit B.

15.6 Regardless of any dispute or claim, whether or not legal action has been taken by either party, DIGITAL will have no right to take any action or refrain from taking any action DIGITAL is otherwise obligated to perform if the likely consequence of such action or inaction is to deny service to GE as described in the Statement of Work or the Service Level Agreements hereunder. Likewise, GE will have no right to take any action or refrain from making full payment to DIGITAL of any outstanding invoices(s) and all payments shall be made by GE without abatement, set-off or deduction whatsoever, regardless of any dispute or claim that may exist between the parties, whether or not legal action is taken by either party.

Regardless of the obligations above, neither party waives its rights hereunder and all claims, issues or disputes may be raised in any administrative or court proceeding as provided herein.

16. TERMINATION

16.1 For Cause

a. Either party may terminate this Agreement upon written notice to the other Party if the other Party fails to perform any of its substantial and material obligations under this Agreement and such failure continues for a period of one hundred and eighty (180) days following receipt of written notice from the other Party specifying the nature of default, unless the alleged default is of such a nature that it cannot reasonably be cured within such one hundred and eighty (180) day period and the defaulting Party produces a plan for the cure of the default within a further reasonable time period and proceeds diligently to cure the default in accordance with the plan. The termination rights of the Parties are subject to the limitations set forth in Section 24 of this Agreement.

b. In the event that DIGITAL issues written notice of termination to GE under this Section 16.1, GE shall, immediately upon receipt of notice, pay to DIGITAL:

   i. any and all amounts previously invoiced and outstanding;

   ii. an amount equal to the costs and fees included in Exhibit C attached hereto of this Agreement

   The parties must meet the obligations as stated under Section 17. If this Agreement is terminated by GE as provided herein, DIGITAL may perform the Services (and receive payment) as described under Section 17.

16.2 For Convenience

a. This Agreement may not be terminated for convenience by GE during the first three (3) years of the Initial Term. However notice of termination for convenience may be sent two (2) years after Commencement Date. Thereafter, GE may terminate this Agreement for any reason, provided it has given DIGITAL at least one (1) year's prior written notice to terminate, and the effective date thereof.

b. In the event of such Termination under Section 16.2, and upon the effective date of Termination, GE shall immediately pay to DIGITAL:

   i. any and all amounts of current invoices and previous invoices outstanding;

   ii. an amount equal to the costs and fees included in Exhibit C attached hereto of this Agreement.

c. The parties must meet the obligations as stated under Section 17.

16.3 Mutual Termination

a. GE or DIGITAL may mutually agree to terminate this Agreement in a six (6) month period after Commencement Date.

b. The terminating party must give the other party sixty (60) days prior written notice of it's intent to terminate this contract under this Section 16.3 and the other party must agree to this termination. In the event of such termination, DIGITAL shall recover the following amounts from the GE, which shall include, but is not limited to:

   i. Outstanding lease payments;

ii. any and all telecommunication charges;

iii. any and all costs related to the establishment of the CMC's not to exceed $1.5 million;

iv. reimbursement of any and all third party service or supplier charges or costs incurred by DIGITAL; and

v. GE shall repurchase all Assets sold to DIGITAL at the same price as set forth in Section 7.

c. Both parties must exercise their respective rights under Section 16.3 during the four (4) months after Commencement Date or waive their right to exercise this termination clause thereafter.

d. The parties must meet the obligations as stated under Section 17.

16.4 DIGITAL Termination

a. DIGITAL has the right to terminate this agreement for convenience after completion of the first four (4) years of the Initial Term of this Agreement. Notice of termination for convenience must be given to GE in writing at least one (1) year prior to the effective date of termination.

b. In the event of such termination under Section 16.4, and upon effective date of termination, GE shall pay immediately to DIGITAL:

i. any and all amounts of current invoices and previous invoices outstanding

ii. GE shall purchase from DIGITAL at fair market value and under DIGITAL'S then current standard terms and conditions, all Assets and all other Products provided by DIGITAL and authorized for installation by GE during the period beginning the date of the Notice of termination and ending the effective date of termination of this Agreement. The parties must meet the obligations as stated under Section 17.

17. DISENGAGEMENT

17.1 At the expiration of the term of this Agreement or if the Agreement is terminated by either party in accordance with Section 16 of this Agreement, then the parties shall follow the disengagement procedures specified in this Section 17. During this period between expiration or termination and the cessation of all services by DIGITAL (herein the "Disengagement Period"), which shall not exceed six (6) months, the parties will continue to perform all of their obligations under this Agreement as long as DIGITAL is paid for Services provided during the Disengagement Period in the manner and the amount provided under this Agreement, or as otherwise agreed.

17.2 Each party will cooperate reasonably and in good faith with the other so that the transition from the Services rendered under this Agreement shall be timely and efficient and implemented in a manner which will not unduly interfere with GE's orderly conduct of its business or DIGITAL's other operations. Within ninety (90) days after a reasonable and proper GE request, DIGITAL shall prepare and deliver to GE a disengagement plan summarizing:

a. the Services then being provided by DIGITAL; and

b. the manner in which the Services are being delivered; all GE's proprietary Information shall be returned, as applicable, to GE.

17.3 Each party's proprietary Information shall be returned, as applicable, to the other. GE shall permit DIGITAL access to its premises to remove any of DIGITAL's proprietary information.

17.4 All equipment, documents, records, books, tapes, disks and files provided by GE for which GE was not paid and to which GE retained title, and which have not been disposed of with GE's permission, shall be returned to GE in substantially the same condition as received, ordinary wear and tear excepted.

17.5 Subject to agreement on price, and subject to its rights to assign, DIGITAL shall use its reasonable efforts to transfer to GE, DIGITAL's entire interest in and license rights to all hardware, application software, and system software purchased or licensed by DIGITAL from a third party on behalf of GE's Program pursuant to this Agreement, and all third party maintenance, service and support agreements related thereto.

17.6 GE shall be granted a license to use DIGITAL Software as stated in Section 8 of the Agreement. Otherwise GE may purchase DIGITAL Layered Software for it's own use, subject to DIGITAL's then current standard software license fees, terms and conditions. Otherwise, GE shall permit DIGITAL to remove all Software.

17.7 Unless otherwise set forth in Section 16, GE shall have the right to purchase from DIGITAL at the then fair market value, as determined by a mutually agreed upon Third Party assessment, all items of Equipment and Operating System Software provided by DIGITAL for the purposes of providing the Services under this Agreement that are then commercially available from DIGITAL or other Third Party vendors under DIGITAL's then current standard terms and conditions. Otherwise, GE shall permit DIGITAL to remove all Equipment and DIGITAL operating software.

18. EXPORT

18.1 GE and DIGITAL understands that U.S. export control laws and regulations apply to the export and re-export of DIGITAL and third party Products, Services and technical data. GE acknowledges that it is knowledgeable about U.S. export controls or that it will become so prior to engaging, directly or indirectly, in any export transaction involving the Products or technical data provided under this Agreement.

18.2 GE and DIGITAL agree that they will not export or re-export the Products or Services or any portion thereof, including any technical data or immediate Products of that technical data, without first obtaining the U.S. and other government export authorizations required under the U.S. Export Administration Regulations (Parts 770 and 779). These export obligations survive the term of this contract.

19. FORCE MAJEURE

Each party will be excused from performance under this Agreement due to circumstances beyond its reasonable control, such as labor disputes; strikes; lock-outs; shortages of or inability to obtain third party labor, energy, equipment or supplies; unavailability of key third party personnel; the insolvency of its Subcontractors; war; riot; insurrection; epidemic; act of God or other deities; or governmental action, including failures and fluctuations or non-availability of electrical power, heat, light, air conditioning or telecommunications equipment and is not the fault of the non-performing Party, provided that the non-performing Party notifies the other Party promptly and in detail of the commencement and nature of such cause and the probable consequences thereof and uses all reasonable efforts to render performance in a timely manner utilizing all resources reasonably required in the circumstances. GE agrees not to hold DIGITAL liable or responsible for delays or inability to deliver under the Agreement due to U.S. or other government export control laws, regulations and processes.

20. HEALTH and SAFETY

20.1 GE will provide a safe working environment at its site for DIGITAL employees performing the Services specified under this Agreement. Prior to commencing any Services hereunder, GE shall notify DIGITAL of any potential safety or health hazards that may exist at the site, such as asbestos or other toxic material, or radiation. For any site which may present potential safety or health risks, GE shall provide all DIGITAL employees who will be working at the site with a site safety orientation. This orientation shall include any site specific safety information including, without limitation, any requirements for personal protective equipment or medical surveillance, emergency response procedures, restricted work areas, or confined spaces.

20.2 In the event that DIGITAL determines that a condition exists at the site which presents a current or imminent danger or hazard to the health, safety or well-being of its employees, or any Subcontractor personnel used by DIGITAL, DIGITAL shall be entitled to either suspend performance, without penalty or charge to DIGITAL, until such danger or hazard is removed or cured to applicable government standards, if any, or if no government standards, DIGITAL's reasonable satisfaction; or with GE's written approval, remove or cure such hazard or danger, and charge the expense of such removal to GE; or with GE's written approval terminate performance at the site in question without penalty or charge. During such work suspension, GE shall continue to pay DIGITAL the same charges as if the Services had continued.

20.3 Neither a waiver of liability by DIGITAL or its employees, or by any Subcontractor(s) or its employees, nor a consent to proprietary obligations, nor any other similar restrictions or obligations, shall be imposed as a requirement for access to GE's facility where any Service will be provided or any work will be performed.

21. ISSUE RESOLUTION

21.1 The Parties will utilize the following procedure to resolve all issues, disputes or claims which may arise under this Agreement ("Issues").

21.2 Issues will formally be raised between the Parties by either DIGITAL's or the GE's Program Manager to the other in a Notice of Issue for Resolution (Notice). The Notice will copy the immediate manager of each Program Manager. In the event the Program Managers are unable to agree on a plan for resolving the Issue within thirty (30) days of the notice, either Program Manager may request that their immediate managers (Level 1) meet to discuss the Issue. A meeting between the Level 1 managers shall be held within thirty (30) days of the date on which such meeting is requested. In the event the Level 1 managers are unable to agree on a plan for resolving the Issue within thirty (30) days of the requested meeting, either manager may raise the Issue to their respective managers (Level 2). A meeting between the Level 2 managers shall be held within ten (10) days of the day on which such a meeting is requested.

21.3 In the event that the Level 2 managers are unable to agree on a plan for resolving the Issue within thirty (30) days of the requested meeting, either Level 2 manager may raise the Issue to the respective designated Parties, as provided below.

DIGITAL	GENERAL ELECTRIC
Program Manager Digital Equipment Corporation	Manager Computer Technology Services
Vice President/Information Technology & Operations	Manager Information Technology Services Department
U.S. Vice President Digital Consulting	Vice President Finance & Information Technology

21.4 If the Issue Resolution Process is unsuccessful, or if DIGITAL cannot continue to provide the service without the implementation of the Change Request, DIGITAL may terminate this Agreement in accordance with Section 16 of this Agreement.

22. INDEMNIFICATION

22.1 Each Party shall defend and indemnify the other Party from and against all claims brought by third parties to the extent the claims seek direct damages, for such third party's tangible property damage or personal injury allegedly caused by that Party's negligence or willful misconduct.

22.2 The Party Indemnitor has full authority to settle all such claims. The Party Indemnitee shall provide reasonable assistance to the Party Indemnitor, at its own expense, when such assistance is so requested.

22.3 In no event will the amount of the indemnification under this section exceed the limitations on liability set forth in Section 24 of this Agreement.

23. INSURANCE

23.1 During the term of this Agreement, DIGITAL shall maintain the following insurance coverage:

Worker's Compensation....................Statutory

Employer's Liability..........................$500,000.00

Comprehensive General Liability.....$2,000,000.00
including personal combined single limit
injury and property damage

Automobile

Liability... and Physical Damage	$2,000,000.00 combined single limit
Umbrella Liability..........................	$1,000,000.00 combined single limit

23.2 GE bears all risk of loss for Assets used in the providing of Services while such Assets are on GE premises and must assume self insurance protection for such Assets except for damage caused solely by the negligence of DIGITAL, its employees or agents. DIGITAL is, and shall remain the owner of all in-scope Assets purchased from GE upon Transfer Date and all Products supplied after the Commencement Date.

24. REMEDIES AND LIMITATION OF LIABILITY

24.1 In the event of any claim by GE concerning the subject matter of this Agreement, GE's sole and exclusive remedies shall be as set forth in this Agreement.

24.2 Except as set forth below, DIGITAL's cumulative liability under this Agreement to GE for any cause whatsoever shall be for direct damages only and shall be limited to the average annual Baseline charge for the Service at issue during the term of the Agreement. Direct damages under this section shall include loss of data or use and are limited by the liability cap stated above.

24.3 These limitations shall apply regardless of the form of action, whether in contract or tort, including negligence, or any other form of action.

24.4 **IN NO EVENT SHALL DIGITAL BE LIABLE FOR ANY DAMAGES RESULTING FROM LOST PROFITS, INCIDENTAL OR CONSEQUENTIAL DAMAGES.**

24.5 Any action against DIGITAL must be brought within eighteen (18) months after the cause of action arise.

25. PUBLIC STATEMENTS

All public statements, announcements and disclosures and all media releases issued by either Party or its employees or agents relating to this Agreement or its subject matter, including without limitation promotional literature shall be subject to the approval of the other Party, which approval shall not be unreasonably withheld or delayed. The requirement for approval by the other Party shall not include any announcement or releases intended solely for internal distribution by either Party or any disclosure required by legal, accounting or regulatory requirements beyond the reasonable control of either Party.

26. RECORD KEEPING AND AUDIT RIGHTS

DIGITAL shall maintain local records necessary to substantiate invoices for Services performed under this Agreement. These records will be provided to GE within a reasonable time following a written request. In no event shall any records be required to be maintained by DIGITAL longer than five (5) years from the date of invoice for the Service.

27. GENERAL PROVISIONS

27.1 This Agreement consists of Sections 1 through 27, Exhibits A - E, Schedules A-L, and DIGITAL's Service Descriptions applicable to the Services provided hereunder. Any ambiguity or conflict among the documents comprising this Agreement shall be resolved by applying the following order of precedence:

- Section 1 through 27 of this Agreement.

- Exhibits A - E

- Schedules A - L

- Other Attachments to this Agreement

- Service Descriptions

27.2 This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior communications, whether oral or written, by an employee or representative of either party. Any modification to these terms and conditions must be in writing and signed by authorized representatives of GE and DIGITAL.

27.3 This Agreement, including those attachments attached hereto or incorporated by reference, will be governed by and construed according to the laws of the State of Ohio, without regard to that body of law controlling conflicts of law.

27.4 Notwithstanding the expiration or termination of this Agreement, the obligations set forth in Sections 10,11,12,13,18, 22, and 26 of this Agreement shall survive such expiration or termination.

27.5 Unless otherwise specified in this Agreement, all notices shall be given in writing to the person and address listed below, or such other person or such other address and as the party receiving the notice shall have previously indicated in writing. Unless otherwise specified, the effective date of any notice given in connection with this Agreement shall be the date on which it is received by the addressee.

DIGITAL:

Scott Benson
Digital Equipment Corporation
10101 Alliance Drive
Cincinnati, Ohio 45242

GENERAL ELECTRIC:

Jeffery C. Wells, C.P.M.
Sr. Buyer/Contract Administrator
Services & Information Procurement
One Neumann Way MD 048
Evendale, Ohio 45215-1389

Notices will be deemed given when (a) delivered personally, (b) sent by confirmed telex, (c) sent by commercial overnight courier with written verification of receipt, or (d) sent by registered or certified mail, postage prepaid, return receipt requested.

27.6 The headings of the Sections of this Agreement have been included for convenient reference only and will not be deemed to affect the meaning of the operative provisions of this Agreement.

27.7 The parties hereto are independent contractors. Nothing in this Agreement shall be deemed to constitute or form an employment relationship, partnership, limited agency or other form of business relationship with the exception of DIGITAL acting as an agent on behalf of GE as defined in this Agreement and the Statement of Work.

27.8 If any provision of this Agreement is finally determined to be unlawful, then such provision will be deemed to be severed from this Agreement and every other provision of this Agreement will remain in full force and effect.

27.9 This Agreement may not be assigned by either party without the prior written consent of the other party, which consent shall not unreasonably be withheld. DIGITAL may, however, subcontract its obligations hereunder, and, except as provided elsewhere in this Agreement, shall remain responsible for the performance of all subcontractors.

27.10 Nothing in this Agreement may be relied upon, or is intended for the benefit of, any party other than GE and DIGITAL.

27.11 DIGITAL shall comply with all federal and state statutes and regulations, including those referenced in the GE Integrity: Spirit and the letter of our commitment.

27.12 No delay or omission by either party to exercise any right or power occurring upon any non-compliance or default by the other party with respect to any of the terms of this Agreement will impair any such right or power or be construed as a waiver thereof. A waiver by either of the parties of any of the covenants, conditions, or agreements to be performed by the other party will not be construed to be a waiver of any succeeding breach or of any other covenant, condition or agreement contained in this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative.

DIGITAL EQUIPMENT CORPORATION	GENERAL ELECTRIC COMPANY GE AIRCRAFT ENGINES
By: Russell A. Gullotti	By: ____________
Title: VICE-PRESIDENT	Title: ____________
Date: 8/9/93	Date: ____________

II. EXHIBITS

EXHIBIT A
STATEMENT OF WORK

EXHIBIT B

PRICE

1.0 **Definitions**

1.1 **Baseline**

The Baseline is the minimum utilization, agreed upon by GE and DIGITAL, of processing and storage units for DIGITAL, Prime and Wang over the term of the agreement.

1.2 **Baseline Price**

The Baseline Price is the price per year which GE will pay to Digital for delivery of services, which are described in the Statement of Work and defined in the Final Service Level Agreements, within the in-scope area of GE. The units of utilization included in the Baseline serve as the basis for the processing and storage portion of the Baseline Price. The Baseline Price is expressed as a dollar amount per year, and takes into account committed Annual Productivity Gains. The processing and storage portion of the Baseline Price is calculated by the multiplication of the units of utilization by the price per unit contained herein (see 3.1 and 3.2 of this exhibit).

1.3 **Annual Productivity Gains**

The Annual Productivity Gain is a provision for price reductions on the year-to-year Baseline Price as a result of efficiencies achieved through continued consolidation, modernization of assets, and continuous process improvements. The Annual Productivity Gain is based on the price per Processing Unit of Work (PUW), and price per Storage Unit of Work (SUW). Digital has established targets of the Annual Productivity Gains at fifteen (15%) percent minimum per year on price per PUW, ten (10%) percent minimum per year on price per SUW, and five (5%) percent minimum per year on Other Services.

1.4 **Increment/Decrement Process**

The Increment/Decrement Process allows compute resources to be added or deleted from the mid-range environment to accommodate an increase or decrease in GE's utilization requirements.

1.5 **Adjusted Price Line (APL)**

The Adjusted Price Line (herein "APL") is the annual Baseline Price plus the sum total of any increments and decrements, over and above the Baseline, which GE has utilized during the course of a quarter and previous quarters. The APL may never fall below the Baseline Price.

1.6 Measurement Period

A period in which DIGITAL will measure GE's use of the systems. This period will be quarterly except during the initial characterization period. Observed changes in utilization will result in an increment or decrement in the next invoice following the observed change.

1.7 Peak Utilization

Highest level of GE utilization of a system during a measurement period. Peak Utilization shall be calculated by determining average sustained utilization within each hour of the measurement period, and then averaging the five (5) highest peak hours.

1.8 Usable Capacity

Usable Capacity is the total capacity on a given system that can sustain the required service levels as defined by the applicable Final Service Level Agreement. The total capacity rating of the system will be deemed consumed when all usable capacity is utilized.

1.9 Dedicated System

Systems in this category have restrictions concerning the type or number of applications which may run on them. The configuration of a dedicated system will be customized to the specific needs of the application(s). Digital shall comply with all Final Service Level Agreements established for the dedicated system and the restrictions placed upon its use. A system may also be categorized as dedicated due to environmental conditions. An example is a system which is located at a remote facility in which network limitations prohibit unrestricted usage of available capacity. Systems which represent a one-of-a-kind platform or operating system type are also classified as dedicated due to Digital's inability to utilize that capacity for other applications. Examples of these one-of-a-kind systems are Tandem, Convex, NCR, and HP (MPE) systems. These systems are more specifically noted in Schedule L herein.

1.10 Classified System

Systems in this category represent the classified areas where special support and systems capabilities are required. These systems are more specifically noted in Schedule L herein.

1.11 Shared System

Any system which is not categorized as dedicated or classified.

1.12 Capacity Planning Process

Process used to determine planned increments/decrements above the baseline and includes an eighteen (18) month rolling review of GE business plans and utilization. The plan will be provided by GE at the beginning of each contract year. Review will occur quarterly in conjunction with utilization reviews. Adjustments will be jointly determined by GE and DIGITAL based upon actual utilization and status of the GE Plan.

1.13 Planned Increment Activity

Increment commitments identified in advance by GE for the contract year. These increments must be identified in writing to Digital no later than the end of the first quarter of the contract year. The entire planned increment will be charged to GE at the most favorable earned increment rate for that year.

1.14 Unplanned Increment Activity

Increments which have not been identified, and committed to, in advance. Unplanned increments will be charged at the earned increment rate equal to that increment activity, or, when combined with planned increment activity, the earned increment rate applicable to total increment activity.

1.15 Units of Work

A Unit of Work is a measurement of GE's use of the Services defined hereunder. These Units of Work have been broken down into two (2) categories.

a. Processing Unit of Work (PUW) is defined as the Units of Work that measure GE's use of processing services. A PUW provides one (1) CPU SPECmark + memory + labor + HW & SW maintenance + SW + personal property tax. One PUW correlates to one SPECmark on DIGITAL and HP platforms, one MIP on Prime platforms, and one unit of measure on Wang platforms.

b. Storage Unit of Work (SUW) is defined as the Unit of Work that measures GE's use of storage and storage applications. One (1) SUW provides one (1) GB disk + portions of back-up device and controller card + labor + HW & SW maintenance + supplies + personal property tax. One SUW correlates to one gigabyte (GB) of storage on all platforms.

2.0 Baseline Description

2.1 DIGITAL has determined a Baseline Price for each year of the Agreement. The stated amount of the Baseline Price (in thousands) appears in the following table:

	Yr1	Yr2	Yr3	Yr4	Yr5	
Processing Units	1,531	1,514	1,187	1,037	1,008	
Processing Unit $	$6,990	$5,940	$5,050	$4,290	$3,650	
Processing Cost $ (1,000)	$10,702	$8,993	$5,994	$4,449	$3,679	$33,817
Storage Units	709	660	602	547	545	
Storage Unit $	$10,060	$9,060	$8,150	$7,340	$6,600	
Storage Cost $ (1,000)	$7,133	$5,980	$4,906	$4,015	$3,597	$25,631
Other Services $ (1,000)	$7,965	$7,567	$7,189	$6,830	$6,489	$36,040
Settlement Adjustment $ (1,000)	0	0	$1,515	$1,321	$976	$3,812
Total $ (1,000)	$25,800	$22,540	$19,604	$16,615	$14,741	$99, 300

It is DIGITAL's intent to deliver annual Baseline productivity gains of fifteen (15%) percent of previous year's Processing Unit price, ten (10%) percent of previous year's Storage Unit price, and five (5%) percent of previous year's Other Services price. It is recognized, though, that annual cost saving opportunities may not appear in these specific increments through the life of the contract. DIGITAL will, therefore, deliver an annual weighted Baseline productivity gain of nine (9%) to eleven (11%) percent. This value will be calculated by determining the weighted productivity gain for each of Processing, Storage, and Other Services, and then adding the three values.

2.2 The annual Processing and Storage price reflects committed Baseline utilization. Upon Commencement Date, adjustments to the Baseline Price may be accomplished only through the Change Management Process (see Statement of Work, Appendix B). GE agrees to sunset (gradual discontinuance) Wang and Prime processing and storage as follows:

AT CONCLUSION OF CONTRACT YEAR

	Yr1	Yr2	Yr3	Yr4	Yr5
PRIME Processing Units	267	148	33	0	0
PRIME Storage Units	117	66	19	0	0
WANG Processing Units	157	121	70	0	0
WANG Storage Units	22	17	6	0	0

It will be at the negotiated determination of GE management and the DIGITAL Program Manager as to whether a given Baseline change represents a material deviation from the Baseline.

2.3 If a change to lower the baseline units is agreed upon through the change management process, add back (increment) of like number of units in succeeding years will be at the prevailing baseline PUW or SUW rate. Increments beyond those quantities will be at the appropriate increment table rate.

2.4 **First Year Baseline Price**

The first year Baseline price is $25.8 million. This Baseline correlates to GE's current year baseline costs of $28.5 million and will become effective at the time of Service Cutover. This price is also contingent upon the sixty (60) day reconciliation period in which GE, DIGITAL and a mutually agreed upon party (in event of disagreement) will work to reconcile all GE baseline cost figures with DIGITAL baseline cost figures to insure successful transfer and inclusion of appropriate leases and maintenance contracts as defined in Section 15.5 of the Agreement.

3.0 **Productivity Improvement**

3.1 **Processing**

To insure continued improvement and cost effectiveness, ratio of $/PUW for each year as the basis for measuring productivity improvements in the computer processing aspects of this program. The following table represents the price per PUW as defined for the length of the contract. These prices are based on pre-characterization evaluation and could change due to characterization results.

YEAR	$/PUW (annual)
1	6990
2	5940
3	5050
4	4290
5	3650

These costs represent a fifteen (15%) percent annual productivity gain over the previous year's price.

3.2 **Storage**

In addition to the processing price, a productivity improvement ratio for data storage price. This ratio will be based upon a ratio of $/SUW of storage. The following table represents the price per SUW for storage as defined for the full length of the contract. These prices are based on pre-characterization evaluation and could change due to characterization results.

YEAR	$/SUW (annual)
1	10,060
2	9,060
3	8,150
4	7,340
5	6,600

These costs represent a ten (10%) percent annual productivity gain over the previous year's price.

3.3 **Conditions Precedent to Productivity Improvement**

a. The productivity improvement commitment is contingent upon the implementation of changes contained in the Baseline. Any change to the Baseline will be introduced through the Change Management Process as defined in the Statement of Work, Appendix B.

b. To calculate the $/PUW and $/SUW ratio in the current Baseline Price, DIGITAL has subtracted the miscellaneous service items and the costs associated with output processing to arrive at a value of data processing costs.

c. The Productivity Improvement associated with the DIGITAL "out-of-scope" maintenance agreements will be equal to or greater than the currently in-place effective discount granted to GEAE.

d. DIGITAL will aggressively pursue cost cutting/productivity gain opportunities and resulting changes will be reflected in the GEAE invoice.

4.0 **Increment/Decrement Overview**

4.1 The Increment/Decrement Process provides a mechanism for accommodating utilization requirements above the Baseline and may be initiated by:

a. Quarterly utilization reviews

b. Either party's written request to change the current environment using the Change Management Process.

4.2 Increment/Decrement Pricing can occur either by issuance of a DIGITAL authorized quote or by application of supplied rate tables where they exist. Rate tables are provided herein for the following service categories to establish increment and decrement flexibility:

a. VAX Computing Services

b. Alpha/AXP Computing Services

c. DIGITAL Storage Services

d. HP Computing Services (when available)

e. HP Storage Services (when available)

4.3 All Increment/Decrement pricing adjustments above the Baseline Price will be made in the first billing period following the quarter the Increment/Decrement was implemented, except as provided in a separate scheduling document which has been mutually agreed to between the parties.

4.4 When applying the decrement tables, the table levels will be applied consecutively, in sequence, until the entire decrement amount is exhausted.

4.5 Decrement in the dedicated environment is considered to be configuration dependent and will be applied only when an entire CPU and/or storage device is decremented.

5.0 **Characterization**

During the initial measurement period of one hundred eighty (180) days, DIGITAL will:

a. Measure Peak Utilization of each in-scope system

b. Validate usage of systems as shared, dedicated, or classified.

c. Document service level requirements in Final Service Level Agreements.

d. Determine Usable Capacity of each System based upon Final Service Level Agreement of the system.

e. Establish a performance trend line for each system in order to predict the rate of change in peak utilization.

6.0 **Planned vs. Unplanned Increment**

6.1 Planned Increment will always use the best rate available based upon the total increment of the annual plan regardless of the timing of utilization (provided it is in the same contract year). For example, GE plans for an additional 200 units of PUW in the next year and gives DIGITAL the appropriate notice at the beginning of the contract year of its plans. In January, GE increments the first 50 units and the rate for this initial increment is the 151+ rate, not the 26-50 rate since this was a Planned Increment.

If GE fails to implement its annual planned increment by the end of the current contract year, a one-time adjustment may occur in the fourth (4) quarter to charge GE at the actual earned increment rate. For example, GE fails to meet the requirement for VAX Processing Planned Increments and merely increases by fifty (50) increments in January of the next year. The rate used for calculating this increment is the 26-50 rate, not the 151+ as noted above.

6.2 Before utilizing increment tables, GE must first attain the maximum units of utilization identified in Baseline for the current year.

6.3 Planned increments utilized in a quarter will be combined with any unplanned increment utilization to calculate the total increment and determine the price for the total increment. Should the unplanned increment, when added to the planned increment, allow movement to a more favorable earned increment rate, the total increment for that quarter will enjoy the more favorable rate.

6.4 At the conclusion of a contract year, total increments (planned plus unplanned) will be carried forward at the best earned increment rate of that year for the total increment.

6.5 Prior year's increment/decrement activity is not used in determining applicable tier rates for the current year.

6.6 Fourth quarter increments that are captured in the next year's bill will be at the table rates of the year in which the incremented utilization occurred.

6.7 Increments and decrements that are carried forward to succeeding years will continue at the table rate in which the increment/decrement utilization occurred.

7.0 **Increment/Decrement Rate Tables**

7.1 New rate tables will be provided annually at the beginning of the new contract year. Processing Services Tables and Storage Service tables, will be adjusted downward by a minimum of ten (10%) percent per year at the beginning of contract years two (2) and three (3), and five (5%) percent per year at the beginning of years four (4) and five (5). GE retains the right to renegotiate rate adjustments planned for the beginning of years four (4) and five (5). In the event DIGITAL and GE cannot agree upon new rate tables, the most current rate tables will be revised downward by ten (10%) percent at the beginning of years two (2) and three (3) and by five (5%) percent at the beginning four (4) and five (5).

7.2 In the case of increments or decrements of more than twenty (20%) percent of GE's current PUW or SUW utilization across DIGITAL, Wang and Prime platforms in one (1) quarter, notice of changes will be provided pursuant to Section 6.2 of the Agreement.

7.3 GE may utilize the decrement tables only if GE has previously incremented above the Baseline. In no event may GE utilize the decrement tables to decrement below the Baseline. The decrement tables may be utilized after the peak utilization in a quarter reaches the number of applicable incremented units above the lowest number of baseline units for the contract year. Decrements below the Baseline commitment may be accommodated via the Change Management Process and DIGITAL authorized quote.

For example:

	Yr. 2	**Yr.3**
VAX Baseline	1205	1041
VAX Increment	100	100
VAX APL units	1305	1141

Decrement will not occur in year three (3) until peak utilization hits 1141 process units. At that point, decrement can be utilized until the planned baseline of 1041 units is reached.

7.4 Tables

7.4.1 DIGITAL Increment Table - VAX

VAX			
PUWs	Shared $	Dedicated $	Classified $
1-5	.00	.00	.00
6-25	.70	.84	1.05
26-50	.58	.69	.86
51-150	.45	.54	.68
151 +	.30	.36	.45

Price per PUW per Quarter (Thousands)

PUW $s are per 1 CPU SPECmark and provide: 1 CPU SPECmark + memory + labor + HW & SW maintenance + SW + personal property tax.

In addition to the table rate, $8,000 will be charged quarterly for each fifty (50) unit increment interval (combining VAX and Alpha AXP processing environments).

7.4.2 DIGITAL Increment Table - Alpha/AXP

Alpha AXP			
PUWs	Shared $	Dedicated $	Classified $
1-5	.00	.00	.00
6-150	.29	.34	.43
151-450	.18	.22	.27
451-900	.17	.20	.26
901 +	.14	.17	.21

Price per PUW per Quarter (Thousands)
PUW $s are per 1 CPU SPECmark and provide: 1 CPU SPECmark + memory + SW + labor + HW & SW maintenance + personal property tax.

In addition to the table rate, $8,000 will be charged quarterly for each fifty (50) unit increment interval (combining VAX and Alpha AXP processing environments).

7.4.3 DIGITAL Increment Table - Storage

Storage			
SUWs	Shared $	Dedicated $	Classified $
1-8	1.00	1.10	1.50
9-16	.90	.99	1.35
17-24	.80	.88	1.20
25-40	.70	.77	1.05
41 +	.60	.66	.90

Price Per SUW per Quarter (Thousands)

SUW $s are per 1 Gigabyte and provide: 1 GB disk + portions of back-up device and controller card + labor + HW & SW maintenance + supplies + personal property tax.

7.4.4 DIGITAL Decrement Table - VAX

VAX			
PUWs	Shared $	Dedicated $	Classified $
1-9	.00	.00	.00
10-25	.53	.63	.79
26-50	.35	.42	.53
51-150	.23	.27	.34
151 +	.13	.15	.19

Price Per PUW per Quarter (Thousands)

PUW $s are per 1 CPU SPECmark and provide: 1 CPU SPECmark + memory + SW + labor + HW & SW maintenance + personal property tax.

In addition to the table rate, $4,000 will be credited quarterly for each fifty (50) unit decrement interval (combining VAX and Alpha AXP processing environments).

7.4.5 DIGITAL Decrement Table - Alpha/AXP

Alpha/AXP			
PUWs	Shared $	Dedicated $	Classified $
1-9	.00	.00	.00
10-150	.21	.26	.32
151-450	.11	.13	.17
451-900	.09	.10	.13
901 +	.06	.07	.09

Price per PUW per Quarter (Thousands)

PUW $s are per 1 CPU SPECmark and provide: 1 CPU SPECmark + memory + SW + labor + HW & SW maintenance + personal property tax.

In addition to the table rate, $4,000 will be credited quarterly for each fifty (50) unit decrement interval (combining VAX and Alpha AXP processing environments).

7.4.6 DIGITAL Decrement Table - Storage

Storage			
SUWs	Shared $	Dedicated $	Classified $
1-8	.75	.83	1.13
9-16	.56	.62	.84
17-24	.40	.44	.61
25-40	.30	.33	.44
41 +	.21	.23	.32

Price per SUW per Quarter (Thousands)

SUW $s are per 1 Gigabyte and provide: 1 GB disk + portions of back-up device and controller card + labor + HW & SW maintenance + supplies + personal property tax.

8.0 Process for Determining Usage Price and Quarterly Invoice

8.1 DIGITAL will track utilization of the environment and adjust capacity to insure that the Final Service Level Agreements are met. In the shared environment, DIGITAL will ensure sufficient capacity is available to handle planned and peak needs. In the dedicated environment, sufficient capacity will be maintained to fully satisfy the prevailing Service Level Agreement.

8.2 Changes in Peak Utilization from one quarter to the next may result in an increment/decrement of the total amount owed by GE for Services over the Baseline Price plus any previously accumulated increments/decrements. The sum of the total accumulated increment/decrement amounts over Baseline Price added to Baseline Price become the Adjusted Price Line (APL). The APL can fluctuate from quarter to quarter in correspondence with total Peak Utilization. At no time may the APL drop below the Baseline Price for the current year.

8.3 The following formula will be used to calculate APL:

APL = Baseline Price * + Previous Qtr. Net Change
(current Qtr.)

*If the Baseline Price is incremented the subsequent quarter's increment formula is:
APL (current Qtr.) = Previous Qtr. APL + Previous Qtr. Net Change

8.4 At GE's request, DIGITAL will work with GE during the characterization period and follow-on annual planning reviews toward the establishment of per-site increment/decrement caps.

8.5 Add-Back Increment -- When a new contract year commences, if GE's utilization immediately exceeds the established Baseline, processing and/or storage units will be incremented at the current year's appropriate increment table rate. To determine this "add-back" increment; identify the current PUW and SUW utilization quarterly and subtract the lowest number of PUW's and SUW's reflected in the Baseline plan for that year. The result is multiplied times the appropriate current year's increment table rate. In the event increment occurred in a previous year, that portion of the increment will be priced at the table rate when the increment occurred. There will not be a quarterly invoicing lag for "add-back" increment.

8.6 Quarterly Billing will occur in the following manner:

a. Step 1:

Divide process and storage portion of the current year's Baseline Price by four (4).

b. Step 2:

i. For year's with an increasing baseline -- If increment of a prior year exceeds planned Increase in baseline at the outset of the current year, for those units exceeding the maximum baseline planned units, the prior year's table rates will be applied against the increment and invoiced.

Increment rates at time of incremented utilization will continue to be applied except as noted in Step 3.

ii. For years with a declining baseline -- When increment immediately commences above the planned baseline for a particular year, those units will be billed in the current quarter (no lag) on the basis of current utilization less minimum planned units for that year multiplied times the applicable increment table rate. This increment will continue at the same amount into succeeding quarters for the balance of the contract (decrement can be applied against this increment if it subsequently occurs.

c. Step 3:

When the increment of a prior year is part of the planned increase in VAX/Alpha AXP processing or storage units in the current year (i.e. the increase occurred early), DIGITAL will continue to invoice the prior year's increment in the first quarter of the current year (at prior year's table rates) then absorb the increment as part of the increased baseline units in the current year.

d. Step 4:

For VAX/Alpha AXP units in the proceeding quarter that exceed the maximum number of units committed to in the baseline for the contract year, apply the applicable table rates with the better of the planned or earned rates. This change will be categorized as either shared or dedicated for purposes of using the tables.

e. Step 5:

Once an increment occurs, decrement is permitted down to the baseline level. Apply decrement of VAX/Alpha AXP for those units that fall below the adjusted minimum planned number of units for that year (minimum number in baseline plus incremented units above baseline in prior periods).

f. Step 6:

For "Other Services" divide baseline amount by four (4) and add to subtotal from previous steps. (note: Allocation direction will be provided by DIGITAL to GE management for accurate charge-back).

g. Step 7:

Adjust for changes resulting from the Change Management Process (reference 2.3).

9.0 Technical Consulting - Fixed Man-Day Rates

IM&T Specialist	IM&T Consultant	IM&T Principal
$65/hour	$95/hour	$140/hour

9.1 No committed/forecasted hour usage required.

9.2 No travel and labor charges incurred.

9.3 Annual rate reviews will occur which take into account previous year's usage, travel expenses incurred, and any appropriate "cost-of-living factors".

9.4 During characterization period, pool of hours included in the Baseline Price will be determined. Rate charges will be incurred only after pool is exhausted.

9.5 Pool is not impacted for tasks or meetings directly associated with the completion of day-to-day system management/operations tasks in support of documented Final Service Level Agreements. Tasks not associated with documented Final Service Level Agreements (i.e., project consulting) will impact the pool of hours.

9.6 At quarterly status meetings, DIGITAL will report to GE, in summary fashion, any usage of the pool during that period (including the application group using the pool), the number of pool hours remaining, and, if applicable, any usage of charged technical consulting hours. In this manner, GE will be able to determine at what point consulting hours begin to be charged at the above rate, track the accumulation of charged hours, and introduce any desired restrictions on GE's usage of technical consulting.

9.7 Billing for technical consulting hours will be itemized as a separate line item on each quarterly invoice.

9.8 Prior notification will be given to GE management before utilization of charged technical consulting hours.

10.0 Shared Risk/Reward

Over the life of the contract, many opportunities will surface for further improvements in efficiency leading to cost reduction. Some of these will be identified and implemented by GEAE. Others will be identified and implemented by DIGITAL. The philosophy for risk/reward should be that the greater the contribution (risk) to the effort, the greater the share of the reward. In other words, it is reasonable to assume that no sharing of resulting savings is expected where no sharing of risk and/or expense occurred.

The greatest opportunity for productivity improvement will come when GEAE and DIGITAL combine their talent pools to address opportunities from which both can benefit. When such opportunities are identified by either party, a proposal should be presented for implementation consideration. A fair distribution of the expected savings would be negotiated based upon each party's resource investment toward implementing the identified project.

EXHIBIT C

GE CANCELLATION CHARGES

These are the costs and fees due to DIGITAL in the event of a termination under Section 16. The following costs and fees will be due and owing to DIGITAL immediately upon Termination Date.

a. Termination Fee

   i. GE shall purchase from DIGITAL at fair market value, all remaining Assets and all other Products provided by DIGITAL during the term of this Agreement, under DIGITAL's then current standard terms and conditions. GE shall purchase all Products necessary to reasonably sustain it's current utilization level;

   ii. All remaining leased Products shall be assigned to GE for the remainder of the lease term; and

   iii. The following termination fees:

      Year 3 - $3.7 million
      Year 4 - No Fee

b. Termination Activities

   All Disengagement activities as provided under Section 17 of this Agreement will be charged to GE at the DIGITAL rates, terms, and conditions specified herein. Any rates, terms, and conditions not covered by this Agreement will be available to GE as specified in the applicable GE MNBA in effect at the time.

BY______________________________

DIGITAL Representative

BY:______________________________

GE Representative

DATE:____________________________

EXHIBIT D
SPECMARK TABLES

SPECmark 89int

The SPECmark 89int rating has been selected as a comparator value for measuring the compute capacity of mid-range computing systems. While an industry standard for such measurements, SPECmark 89int benchmarks have not been performed for all models of systems in the past or currently on the market today. In cases where SPECmark 89int values were not available, values were extrapolated based on benchmarked results from similar systems.

VAX SPECmark 89int Values

SPECmark 89int values for VAX systems were based on benchmarked results from several mid-range class systems. Values for those systems that have not been SPECmark 89int benchmarked were extrapolated based on comparison to other performance ratings.

HP SPECmark 89int Values

SPECmark 89int values for HP were extrapolated based on a ratio derived from SPECmark 92 and 89 values from other HP platforms.

Updating SPECmark 89int Tables

The tables detailing SPECmark 89int values will be updated annually by DIGITAL to reflect new computing systems employed in the delivery of outsourcing services to GEAE. The use of SPECmark 89int as the benchmark standard will continue until a sufficient quantity of computing systems employed in the delivery of outsourcing services no longer have been benchmarked against this standard. At such a time, a replacement comparator will be selected and agreed to by GEAE and DIGITAL.

Tables

The following tables depict the SPECmark ratings for VAX and HP computing systems. MIP ratings for Prime computing systems, and relative Wang rating for Wang computing systems. Separate tables are provided for different vendor platforms.

DIGITAL SPECmark 89int Table

DIGITAL MODEL	SPECmark 89int Value		DIGITAL MODEL	SPECmark 89int Value
7640AXP	530.00		4000-VLC	12.86
7610 AXP	163.00		MV3800	3.20
4610AXP	132.00		MV3600	2.50
3000-500AXP	118.00		MV3400	2.20
6620	65.33		MV3100	3.20
6610	42.10		MVII	0.85
6520	28.00		VS3100	3.20
6510	15.60		VS2000	1.40
6430	21.5		8700	7.00
6420	15.50		8650	7.00
6410	8.20		8600	5.10
6310	3.80		8550	7.00
6230	8.30		8530	4.70
6210	2.90		8200	1.20
4000-500	30.70		11/785	1.50
4000-400	16.00		11/780	1.00
4000-300	9.20		11/750	0.50
4000-200	4.30			
4000-100	24.00			

HP SPECmark Table

HP MODEL	SPEC 92 Rating	Rating-SPEC Ratio	Extrapolated SPEC 89int
9000-840	50.50	0.52	26.26
3000-960	17.27	0.52	8.98
3000-922LX	14.92	0.52	7.76
1000	None	0.52	1.00 **
715	24.20	0.52	12.58
710	49.70	0.52	25.84

** *No benchmark data available. Assigned a value of 1.*

Prime Tables

Prime Model	Prime MIP Rating
9955II	5.00
9955	5.00
9755	3.50
9655	1.30
6650	28.00
6350	11.80
5370	13.50
5340	5.60
5320	4.30
2350	0.85

Wang Tables

Wang Model	Relative Wang Rating
VS8480	30.00
VS8360	24.00
S7310	16.00
VS5000	4.00
VS300	8.00
VS100A	6.00
VS100	4.00
VS85	4.00
VS65	2.40
VS6E	2.40
PC382	2.00

EXHIBIT E

SECURITY CLASSIFICATION

III. SCHEDULES

SCHEDULE A

GE ASSETS

GE ASSETS TO BE PURCHASED BY DIGITAL

See attached report: "In scope Component No. with Vendor/RBV", dated 05/21/93

ASSUMPTIONS

a. All information is current, complete and accurate

b. Asset transfer to be complete by December 21, 1993

c. DIGITAL will be able to procure "in scope" and "not in service" assets (Prime, Wang)

DECLARATIONS

a. DIGITAL will procure "in scope" and "in service" assets

b. It will be up to DIGITAL discretion which (if any) Prime and Wang "not in service" assets will be procured

c. If DIGITAL is unable to procure Prime and Wang assets due to licensing constraints, DIGITAL will manage the asset, software and maintenance.

d. Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery.

e. Assets associated to Output Processing will not be procured/transferred until the review of output processing is completed *(ref. Section 7 of contract).*

SCHEDULE B
DIGITAL SOFTWARE

DIGITAL SOFTWARE VALIDLY LICENSED BY GE AS OF THE COMMENCEMENT DATE. (INCLUDES VERSION, SERIAL NUMBERS, ETC.)

See attached report for preliminary listing.

ASSUMPTIONS

a. All software information is current, complete and accurate

b. All required software is at current version (as required by functionality, application, maintenance, etc.)

c. Software has valid software license

d. Software is compliant to software license and required maintenance agreement (as required by functionality, application, maintenance, etc.)

DECLARATIONS

a. DIGITAL'S responsibilities remain as stated in the current maintenance agreement and/or license agreement unless otherwise changed by the change process

b. Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery

c. Final listing is to be incorporated by January 1994

SCHEDULE C

THIRD PARTY SOFTWARE

THIRD PARTY SOFTWARE LICENSED VALIDLY BY GE TO BE ASSIGNED OR TRANSFERRED TO DIGITAL (INCLUDES VERSION, SERIAL NUMBERS, ETC.)

See attached report for preliminary listing.

ASSUMPTIONS (ASSIGNMENT)

a. Third parties that agree with assigning software and maintenance will execute assignment

b. Terms/conditions of current Agreements will be agreeable to DIGITAL

c. Terms of assignment will be agreeable to the parties

d. Software assignments will be complete by December 21, 1993

ASSUMPTIONS (SOFTWARE)

a. All software information is current, complete and accurate

b. All required software is at current version (as required by functionality, application, maintenance, etc.)

c. Software has valid software license

d. Software is compliant to software license and required maintenance agreement (as required by functionality, application, maintenance, etc.)

DECLARATIONS

- DIGITAL'S responsibilities remain as stated in the current maintenance agreement and/or license agreement unless otherwise changed by the change process
- Contract Agreements between GEAE and Vendors will be made available to DIGITAL
- DIGITAL will act in the capacity of a "Limited Agent" for "in scope" vendors that have not been assigned by December 31, 1993
- Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery
- Final listing of Vendors and Applications will be incorporated by January 1994

SCHEDULE D

THIRD PARTY SOFTWARE

THIRD PARTY SOFTWARE VALIDLY LICENSED BY GE THAT DIGITAL WILL ACT AS LIMITED AGENT FOR PURPOSES OF MAINTENANCE AND SERVICE.

Final listing of Vendors and Applications will be incorporated into the contract in January 1994.

ASSUMPTIONS

a. Information, materials and resources are available for DIGITAL to act as Agent

DECLARATIONS

a. DIGITAL will act as a "Limited Agent" for those "in scope" vendors for which:
   i. the Vendor/GEAE Agreements are made available to DIGITAL;
   ii. assignment is not possible by December 31, 1993
b. The effective date for DIGITAL to assume the role of an Agent shall be the date of the notification letter to the third party

SCHEDULE E

GE APPLICATION SOFTWARE

APPLICATION SOFTWARE FOR WHICH GE HAS FINANCIAL, ADMINISTRATIVE, MAINTENANCE OR ENHANCEMENT RESPONSIBILITY. DIGITAL WILL HAVE THE RIGHT TO EXECUTE THIS SOFTWARE TO FULFILL ITS RESPONSIBILITIES.

ASSUMPTIONS

a. All information is current, complete and accurate

DECLARATIONS

a. Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery

b. Final listing of Applications will be incorporated by January 1994

SCHEDULE F

LEASE

LIST OF ASSETS THAT DIGITAL WILL ASSUME LEASE PAYMENTS FOR ON BEHALF OF GE.

Hardcopy of "Lease items with Lease End Date after 01-Sep-92 from CMAT Oracle Database" report, dated 20-May-93, provided, as described on the attached Schedule F listing.

ASSUMPTIONS

a. All lease information is current, complete and accurate

b. All lease payments will be paid by GEAE until assignment to DIGITAL

c. All leases shall be assumed

DECLARATIONS

a. GEAE will be responsible to return all products (to the appropriate funder) that have "Lease End" dates that are prior to the assignment to DIGITAL date

b. GEAE will provide DIGITAL with a list of leases to be assumed and associated documentation

c. Leases not available to DIGITAL will be treated as "out of scope"

d. The effective date of any assignment shall have the effective date of the assignment agreement (not the date it is incorporated into this Agreement)

e. DIGITAL will be a Limited Agent to "in scope" vendors that have not been assigned by December 31, 1993

f. Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery

g. DIGITAL will not be responsible for penalties on leases that are caused by GEAE (i.e. unable to locate product items)

SCHEDULE G

THIRD PARTY HARDWARE MAINTENANCE

THIRD PARTY HARDWARE MAINTENANCE AGREEMENTS TO BE ASSIGNED OR TRANSFERRED TO DIGITAL

See attached report for preliminary listing of Vendors

ASSUMPTIONS

a. Terms/conditions of current Agreements will be agreeable to DIGITAL

b. Terms of assignment will be agreeable to the parties

c. Hardware maintenance assignments will be complete by December 31, 1993

DECLARATIONS

a. DIGITAL'S responsibilities remain as stated in the current maintenance Agreement unless otherwise changed by the change process or the one time reconciliation. Resulting changes will be reflected in the GEAE invoice.

b. Agreements between GEAE and vendors will be made available to DIGITAL

c. The effective date of any assignment shall be the effective date of the assignment agreement (not the date it is incorporated into this agreement)

d. DIGITAL will be a "Limited Agent" to "in scope" Vendors that have not been assigned by December 31, 1993

e. Information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery

f. Final listing of vendors will be incorporated by January 1994

THIRD PARTY HARDWARE MAINTENANCE AGREEMENTS TO BE ASSIGNED/TRANSFERRED

<u>**VENDOR**</u>

Convex

Calcomp

HP

IBM

Kodak

NCR

Prime

Tandem

Wang

Xerox

SCHEDULE H

THIRD PARTY HARDWARE MAINTENANCE AGREEMENT

THIRD PARTY HARDWARE MAINTENANCE AGREEMENTS FOR WHICH DIGITAL WILL ACT AS A LIMITED AGENT FOR PURPOSES OF MANAGING SERVICE.

Listing to be incorporated by January 1994.

ASSUMPTIONS

a. Information, materials and resources are available for DIGITAL to act as Agent

DECLARATIONS

a. DIGITAL will act as an Agent for those "in scope" vendors for which:
    i. assignment is not possible by December 31, 1993
b. The effective date for DIGITAL to assume the role of an Agent shall be the date of the notification letter to the third party

SCHEDULE I

MISCELLANEOUS SERVICES

MISCELLANEOUS SERVICES ARE GEAE CONTRACTUAL LIABILITIES THAT ARE MANAGED AND PAID BY DIGITAL AS GE'S AGENT

See attached report for preliminary listing.

ASSUMPTIONS

a. Information, materials and resources are available for DIGITAL to act as Agent.

DECLARATIONS

a. DIGITAL will act as Agent for those "in scope" Vendors for which:
   i. the Vendor/GEAE Agreement is made available to DIGITAL; and
   ii. assignment is not possible by December 31, 1993
b. The effective date for DIGITAL to assume the role of an Agent shall be the date of the notification letter to the third party
c. The final listing of Vendors will be incorporated into the contract in January 1994
d. DIGITAL responsibilities remain as stated in the current agreement unless otherwise changed via the change process or the one time reconciliation. Resulting changes will be reflected in the GEAE invoice.
e. DIGITAL will aggressively pursue cost cutting/productivity gain opportunities and resulting changes will be reflected in the GEAE invoice.

THIRD PARTY BILLINGS

VENDOR		ANNUAL AMOUNT	EXP. DATE
Prime		679,000	12/31/93
	(T&M)	100,000	
		$ 797,000	

HW/SW MAINTENANCE

VENDOR		ANNUAL AMOUNT	EXP. DATE
Wang		$ 397,194	12/31/93
	(T&M)	100,000	
		$ 497,194	
Third Party SW Maint. (see below)		$ 538,659	
Xerox		$ 534,240	
Tandem		17,552	9/30/93
Convex		48,000	
Ingres		300,000	10/31/93
Total Maint.			

**(Applied Geometry, ATM Computing, Boston SW Works, Boston Systems Office/TAshing, BSSI, CC:Mail, Computer Associates, Comptional Mechanics, Compu-tronics, CPS, Database, DEmax, G&O, Bray Matter, Henco, Information Builders, LBM, Mac Soft, Masstor System, Minitech vs Holding Co., Nasa/Cosmic, OTG, Oracle, Process SW, Pulsar System, Softool Corp., Software Partners, Syncort, Telesoft, UIS, USSW, Versacad, Wollogong)

*********************MAINTENANCE TOTALS INCLUDE ALL SITES**********************

OUTSOURCE SERVICES

OUTSOURCED SERVICES (associated to Output Services)

	All sites	Cincinnati	Lynn
Forms Management	$1,100,000		
(Reynolds & Reynolds)			
- Typesetting (Jala)	30,000		
Distribution Services		$125,000	
(Priority - Cincinnati only)			
- Lynn Employees do their own distribution			
Off-site Storage (BIS)			
- Cincinnati		20,000	
- Lynn			12,000
Data Entry Services			
- Cinti (Quality Associates)		10,000	
- Lynn (Advanced Automation)			100,000
Microfiche			
- Cincinnati (Anacomp)		500,000	
- Lynn (1st Image)			25,000
Supplies (paper, toner, etc.)			
- Cincinnati		209,000	
- Lynn			145,000
Equipment (Maintenance)			
- Bursters- Expires 12/31/93	15,000	7,500	7,500
- Decolators - Expires 12/31/93	15,000	7,500	7,500
- Baggers	8,000	4,000	4,000
- IBM (card readers/punchers)			
* Cinti - Expires 10/93		72,723	
* Lynn - Expires 8/93			49,212
- Calcomp Plotters		20,100	20,100

SCHEDULE J

GEAE THIRD PARTY BILLING OBLIGATIONS

ASSUMPTIONS

Vendor listing is complete and accurate.

DECLARATIONS

a. complete final listing will be incorporated by January '94

b. Information may be added, deleted or changed as a result of reconciliation and/or subsequent discovery

SCHEDULE K

NETWORK DEMARCATION POINTS

ASSUMPTION

GEAE will provide all necessary network interfaces and associated support to meet all program objectives.

RESPONSIBILITY DIVISION POINTS

a. At the DIGITAL CMC's, the boundaries are defined to be the Ethernet interface on the GEAE router at the DIGITAL CMC facility in Cincinnati and at the DIGITAL CMC facility in the greater Boston area.

b. For hardware management and support, the boundary will be at the CPU cabinet interface for all platforms, except for cabling to in-scope equipment in the same area such as printers, consoles, etc. There may also be some arrangements made for mutual convenience where the interface is located elsewhere. These will be documented as agreed upon.

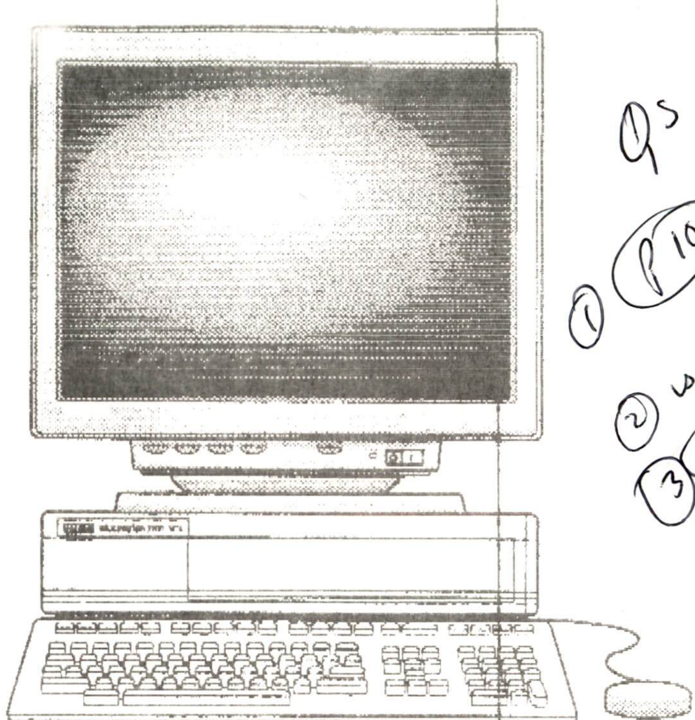
c. For software management, the installation and support of network software on in-scope devices will be the outsourcer's responsibility. Global services such as network planning, software evaluation, and network address and name registration will remain the responsibility of GEAE.

d. The boundary for hardware ownership will be the same as the hardware management boundary, except for equipment on a lease schedule transferred to DIGITAL. It will be GE's responsibility to locate network equipment on leases transferred to DIGITAL, make it available, and make replacements as necessary. it will be DIGITAL's responsibility to return the equipment and provide technical consulting on replacement options if requested by GEAE.

SCHEDULE L
SYSTEM CATEGORIZATION

See Attached Report

Fell
General
Electric



Qs
1. P 10 - we're OK if we can't get parts
2. is this GE Engines only?
3. PE2 Quarterly billing
then net 40 is really 130 days - we must care
why quarterly?

Digital Equipment Corporation
Cincinnati, Ohio
(513) 984-7500
FAX 984-7519

To: Russ Gullotti
FAX#: DTN 264-0864

From: Scott Benson

Phone #: DTN 432-7736

Total Pages: 19 (including cover sheet)

Contents

I. MID-SIZE COMPUTING OUTSOURCE AGREEMENT

MID-SIZE COMPUTING OUTSOURCE AGREEMENT

Agreement made this __ day of ___, by and between **Digital Equipment Corporation**, having a principal place of business at 146 Main Street, Maynard, Massachusetts **(hereinafter "DIGITAL") and General Electric Company**, a New York corporation, acting **through General Electric Aircraft Engines** having a principal place of business at One Neumann Way, Evendale, Ohio 45215-6301 **(hereinafter "GE")**.

WHEREAS, GE issued an Request for Proposal (RFQ #673-DCP92) and Addendums (RFQ #673-DCP92-1, RFQ #673-DCP92-2, and RFQ #673Q-DCP92-3) requesting interested vendors to bid on an opportunity to provide GE with the outsourcing of midframe computing;

WHEREAS, DIGITAL submitted a Proposal to GE's RFQ on July 22, 1992 and was selected by GE as the vendor of choice for the Program and wishes to negotiate this Agreement to reflect all of the terms and conditions of providing Service herein;

WHEREAS, DIGITAL and GE have participated in a discovery process (herein "discovery") to provide DIGITAL and GE with additional information and assistance to determine the final scope and price of this Outsource Agreement; and

WHEREAS, the parties have come to final agreement on the scope of this Outsource Agreement.

Now THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, the parties agree as follows:

1. TERM

The initial term of the Agreement shall be for five (5) years from the Commencement Date. This Agreement shall continue in effect for the Initial Term unless terminated in accordance with the provisions of Section 16 of this Agreement. After the Initial Term, the Agreement will be renewed for successive one (1) year terms unless notice is given by either party a minimum of twelve (12) months prior written notice of its intent to terminate the Agreement at the conclusion of the then current term.

2. DEFINITIONS

a. **Agents.** Any third party appointed by DIGITAL to perform Services or undertake other obligations either directly to GE or to DIGITAL.

b. **Assets**: All equipment specifically defined in Schedule A of this Agreement.

c. **Commencement Date**: The date the Services under this Agreement shall begin.

d. **CUSTOMER Premises**: All GE controlled areas where DIGITAL employees, agents, consultants and subcontractors are to perform Services under this Agreement.

e. **Day**: A standard business day (8:00 A.M. to 5:00 P.M., Monday through Friday), excluding weekends and GE's locally observed holidays.

f. **Defects**: Failure of the Services to conform to the applicable Service Level Agreements which is not attributable to the fault or negligence of GE.

g. **DIGITAL Packaged Application Software**: Software which has been previously developed by DIGITAL, made generally available to customers but is not a standard Software Product.

h. **DIGITAL Site**: Any location or locations owned, leased or licensed by DIGITAL for the siting of DIGITAL employees, nodes, Equipment, Software and other Network Equipment for the purposes of servicing and monitoring GE systems off-site. The present locations of these sites are defined in the Statement of Work.

i. **Documentation**: Manuals, handbooks, maintenance libraries, listings and other publications which DIGITAL, or its Subcontractors, normally supply with Products or Services furnished hereunder; or as provided by GE on Assets.

j. **Environmental and Safety Laws**: All federal, state and local statutes, laws, ordinances, rules and regulations and judicial and administrative orders, rulings and decisions relating to work place safety, pollution or protection of human health or the environment, as are applicable to GE, including without limitation, laws and regulations relating to emissions, discharges, releases or threatened releases of Hazardous Substances, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances.

k. **Equipment**: Computer hardware, accessories, and any other tangible items (not including Software) as furnished by DIGITAL which are used in the provision of Services.

l. **GE Software**: All software which is owned by GE (and not proprietary to any other party) and provided to or access granted DIGITAL in connection with the performance of Services.

m. **Hazardous Substances**: Any chemical, substance, waste or material which is deemed hazardous, toxic, a pollutant or contaminant, under any federal, state or local statute, law, ordinance, rule, regulation, or judicial or administrative order or decision applicable to GE.

n. **Network**: Any physical and logical communications network, consisting of all hubs, nodes, interconnecting lines, modems, and other communications equipment and facilities (but excluding any Network Management Center and any equipment of GE used to interconnect to the Network Demarcation Point as defined in Schedule I) and as may from time to time be expanded and extended by written agreement of DIGITAL and GE pursuant to the terms of this Agreement.

o. **Products**: DIGITAL or Subcontractor Standard Equipment and Software Products furnished or utilized in the performance of the Services.

p. **Program Manager**: A DIGITAL representative to be the principal contact for the other party and who shall have responsibility and authority as described in Section 4.

q. **Services**: Consulting, integration, implementation, installation, maintenance, support, design, development, and other work furnished by DIGITAL or Subcontractors' personnel in connection with meeting DIGITAL's responsibilities hereunder.

r. **Service Cutover**- DIGITAL shall provide written notice to GE of the date that Service Cutover will occur and DIGITAL will have used reasonable efforts to:

   i. obtain all necessary security clearances for it's staff; and

   ii. agency letters have been sent to the appropriate equipment, maintenance, software suppliers as well as the appropriate lessors of affected Assets.

   Once Notice of Service Cutover has been given GE, DIGITAL may begin to invoice for Services.

s. **Service Level Agreements**: The complete and exclusive descriptions of the Services to be performed. There are two versions currently planned by the parties. The first set are the Interim Service Level Agreements which are effective upon Commencement Date, and continue for one hundred eighty (180) days thereafter, unless extended by the mutual written agreement by the parties. The second set are the Final Service Level Agreements which must be mutually agreed to by the parties in writing as per Section 5 of this Agreement.

t. **Software**: A set of instructions consisting of a program or routine, or other information including applicable databases, used by computer equipment. Software may be in either object or source code form, and may be stored in a variety of media, including magnetic tape or disk, CD ROM, and integrated circuits ("firmware"). Unless otherwise specifically stated, software is furnished in object code form only.

u. **Statement of Work**: The Statement of Work describes the manner in which the Services are to be performed by DIGITAL under this Agreement attached as Exhibit A.

v. **Subcontractor**: Any third party retained by DIGITAL to furnish Products, and/or Services hereunder either directly to GE or to DIGITAL.

w. **Third Party Software**: Any Software which is proprietary to any other party other than DIGITAL and GE.

x. **Transition Plan**: A mutually developed schedule and plan to transfer the Assets install Services and access to Software from GE to DIGITAL which includes but is not limited to the outline in Section 7 of the Statement of Work.

y. **Transfer Date**: The date the Assets are transferred from GE to DIGITAL.

z. **Verification Period** - The one hundred eighty (180) day period in which DIGITAL and GE jointly develop and mutually agree to Final Service Level Agreements as per Section 5 of this Agreement.

3. SCOPE OF THE AGREEMENT

3.1 The scope of this Agreement shall be as defined in Appendix A of the Statement of Work.

3.2 GE agrees that DIGITAL shall supply all services related to in-scope business processes as defined in Statement of Work attached as Exhibit A during the term of this Agreement.

3.3 The scope of this Agreement may be modified through the Change Management Process as defined in Section 6.0 of this Agreement.

4. JOINT RESPONSIBILITIES

4.1 GE Responsibilities

a. Computing and Technical Services Manager and any designees who shall be the principal contact for DIGITAL, and shall have responsibility to render or obtain in a timely manner any GE decisions required to permit DIGITAL to meet its responsibilities under the Service Level Agreements and the Statement of Work contained herein. GE's CTS Manager or his designee(s) shall be responsible for accepting or rejecting deliverables, authorizing payments, and reviewing status reports, including without limitation, changes to the Service Level Agreements.

b. GE shall make reasonable efforts to use the Products provided by DIGITAL in compliance with the operating instructions and all applicable laws and regulations and for no other purpose than that for which they were designed and provided.

c. GE shall cooperate in arranging for an orderly, effective transition of operational control of any resources and facilities covered under this Agreement and shall cooperate in effectuating their other respective obligations under this Agreement. Subject to GE security requirements provided such security requirements have been reviewed and accepted by DIGITAL, GE will provide DIGITAL and DIGITAL's subcontractors all required availability and access to its premises and personnel, to afford such effective transition, similar to that previously offered GE personnel providing similar services.

d. GE warrants and represents to the best of the GE's knowledge, that during the discovery period and up to the time the Agreement is executed, all information and data supplied to DIGITAL for and relevant to the scope of the Agreement, Statement of Work, and Service Level Agreements will be current, complete and accurate. If information provided by GE is materially incorrect, or if at any time the information contained in any Change Request made by GE in conformity with Section 6.0 of this Agreement is found to be materially incomplete or incorrect, then any work required to correct problems created by the use of such information shall be treated as a GE Change Request and shall be subject to the Change Management Process as defined in Section 6.0 of this Agreement.

e. GE is responsible for providing all resources and technology as required in the Statement of Work and Service Level Agreements, including without limitation, the connectivity and adequate network bandwidth currently installed by GE. DIGITAL will not be responsible for failure to meet Final Service Level Agreement levels caused by network changes performed outside change management process.

f. GE will make available without charge all existing media (tapes and disks) associated with the Assets to enable DIGITAL to perform the Services, as well as all third party maintenance records and documentation, subject to the proprietary provisions included in Section 10 herein.

g. Except as otherwise provided in this Agreement, GE shall be responsible for providing at no charge to DIGITAL, a safe and suitable site as defined by the manufacturer's current environmental standards, on GE's premises for Equipment and Software to be installed and to operate under this Agreement. GE shall be responsible for insuring proper electrical power, air conditioning, floor space, network cabling, and all other physical requirements necessary for DIGITAL to perform the Service. Any necessary change to the environmental standards due to the provision of Services by DIGITAL shall be reviewed and agreed to by the parties via the Change Management process.

4.2 DIGITAL Responsibilities.

a. DIGITAL shall assign a Digital Program Manager who shall be the principal contact for GE, and who shall have responsibility to render or obtain in a timely manner any GE decisions required to permit DIGITAL to meet its responsibilities under the Service Level Agreements and the Statement of

Work. DIGITAL's Program Manager or his designee(s) shall be responsible for accepting or rejecting deliverables, authorizing payments, reviewing status reports, and approving changes to this Agreement on behalf of DIGITAL, including without limitation, changes to the Service Level Agreements.

b. DIGITAL shall provide qualified personnel with suitable training and experience to perform Services. DIGITAL will discuss with GE any objections GE may have regarding any employees dedicated to the Program and if DIGITAL determines that GE's concerns are reasonable, DIGITAL shall take prompt appropriate action.

why did GE allow this?

much debate?

c. DIGITAL's performance of its service obligations hereunder is contingent upon DIGITAL's ability to acquire replacement parts, software support, maintenance and specially trained technicians for Products provided hereunder. In the event parts or technicians become unavailable, DIGITAL will use reasonable efforts to procure equivalent parts, software or technicians. DIGITAL shall be excused from its Service obligations hereunder in the event said spare parts, software support, maintenance and specially trained technician become commercially unavailable to DIGITAL for any reason including, but not limited to cessation of operations or bankruptcy of any third party vendors or Subcontractors after DIGITAL has exhausted all reasonable means to obtain the service or parts and has previously consulted with GE.

DIGITAL shall provide GE with ninety (90) days where feasible, written notice of it's intent to invoke Section 4.2 (c), upon which GE has the option of:

i. withdrawing the Products from the scope of this Agreement; or,
ii. request DIGITAL to provide a separate quotation or migration plan to migrate the Product to another Product having equivalent functionality.

d. DIGITAL shall exercise due care in the installation and maintenance of GE's third party software licenses and will not knowingly violate any license terms.

e. DIGITAL shall comply with all reasonable GE environmental, health and safety regulations, provided DIGITAL has had a reasonable opportunity to review and approve these regulations prior to implementation.

5. SERVICE LEVEL AGREEMENTS AND STATEMENT OF WORK

DIGITAL and GE have agreed to commence this Agreement pursuant to the interim Service Level Agreement and interim Statement of Work as Exhibit A.

5.1 The Statement of Work describes the Services and work to be performed, the specific responsibilities of the Parties, pricing approach and scheduling information.

5.2 It is acknowledged and understood that the Interim Service Level Agreements in effect upon Commencement Date are based on a preliminary understanding of

GE's requirements. DIGITAL and GE have agreed to develop Final Service Level Agreements for all environments during the one hundred and eighty (180) days after Commencement Date. DIGITAL and GE will work cooperatively to develop a set of Final Service Level Agreements at the completion of the one hundred eighty (180) day Verification Period.

5.3 The Verification period will allow DIGITAL and GE to cooperate to:

a. define the levels of service required;

b. test and draft the Final Service Level Agreements.

c. Adjust the proposed Final Service Level Agreements to reflect actual performance; and

d. submit any potential price modifications due to the proposed Final Service Level Agreements to GE.

5.4 It is assumed by the parties that the pricing on the Final Service Level Agreements shall not exceed the pricing on the Interim Service Level Agreements unless a change in coverage is requested. Any change in coverage shall be managed by the Change Management Process.

5.5 DIGITAL shall submit the prepared Final Service Level Agreements and any necessary price modifications to the GE for final approval no less than thirty (30) days prior to the completion of the Verification Period.

5.6 During the next fifteen (15) days, GE shall review the proposed Final Service Level Agreements and provide DIGITAL with any written objections and/or modifications to the Final Service Level Agreements during the fifteen (15) day period.

5.7 If GE rejects the Service Level Agreements and/or Statement of Work or if GE's comments cannot be accepted by DIGITAL, the parties may agree to the following:

a. the parties may agree to enter into an additional six (6) month evaluation period in which time the Interim Service Levels shall remain in place;

b. either party may offer a compromise to resolve the outstanding differences for the consideration of the other party; or

c. upon the expiration of thirty (30) days without either of the parties agreeing to enter into another six (6) month evaluation or to settle the outstanding differences, either party may seek to terminate this Agreement as provided in Section 16.3 of this Agreement.

5.8 When completed after the Verification period, the Final Service Level Agreements shall be incorporated as if they were set forth in this Agreement. DIGITAL may satisfy portions of its obligations by using Products, Custom Products and Services not supplied directly by DIGITAL.

Should concealed conditions be encountered in the performance of work by DIGITAL, or should circumstances be unknown to DIGITAL as of the date of this

Agreement, which are of an unusual nature or are materially different from those ordinarily encountered, the Parties shall use mutual, good faith efforts to resolve all such problems and review the price, Statement of Work, Service Level Agreements and Schedules as per the Change Management Process as stated in Section 6. In the event no resolution can be reached between the parties, Section 21, Issue Resolution may be invoked.

5.9 Both the Service Level Agreements and Statement of Work may be modified in accordance with the Change Management Process provisions of Section 6 of this Agreement.

6. CHANGE MANAGEMENT PROCESS

6.1 The Change Management process outlined in Appendix B of the Statement of Work is hereby incorporated herein.

6.2 DIGITAL has planned two Customer Management Centers (CMC's) based on GE's current manufacturing locations as of Commencement Date. GE agrees to give DIGITAL six (6) months written notice of the closing of any manufacturing facility; or of the substantial change of in-scope business processes currently performed at any site unless such change is listed in the Product Plan or annual revision thereto. Substantial change shall be defined as an increase or decrease in GE utilization of the Services by twenty (20%) percent of the current utilization level. In the event that DIGITAL and GE agree that DIGITAL must relocate it's staff to perform Services hereunder due to GE's decision to reduce operations or closing of a facility, GE agrees to reimburse DIGITAL for the cost to relocate DIGITAL employees and equipment.

DIGITAL reserves the sole right, at it's own cost, to relocate CMC's for any reason.

6.3 It is the understanding of the parties that there may be some opportunities for DIGITAL and GE to share the risks and rewards of implementing changes to the computing environment. Risks undertaken and borne by DIGITAL to achieve productivity gains and cost savings shall be to DIGITAL's reward. However, those risks borne by GE will result in the rewards being enjoyed by GE. The parties have agreed to allocate these risks and rewards through the Change Management Process as provided in the Statement of Work. The party seeking the change shall submit a change order stating the risks and potential rewards to both GE and DIGITAL and they shall mutually agree to share via allocation of those risks and rewards to the GE and DIGITAL, as necessary. Any third party use of Products used by DIGITAL to provide Services hereunder shall be considered an opportunity that must be reviewed and approved by the parties.

7. ACQUISITION OF CUSTOMER ASSETS

7.1 The Parties have agreed that the current estimated purchase price range of the Assets to be transferred to DIGITAL is $1 million to $2 million at the fair market value of the Assets. The final price shall be established by GE and DIGITAL after completion of the physical inventory and valuation by the independent third party consultant. In no event shall the purchase price of these Assets exceed $1.4 million unless mutually agreed to in writing by the parties.

7.2 During the first one hundred twenty (120) days after the Commencement Date, DIGITAL and GE have agreed to utilize the services of an independent third party consultant to assist in the physical inventory and valuation process. The actual work of the physical inventory and valuation will be performed by representatives of GE and DIGITAL. GE and DIGITAL have agreed to share in the cost of using an independent third party consultant and the price of the consultant's services, provided both DIGITAL and GE have agreed in writing to the cost and selection of such third party consultant.

7.3 All Assets that are subject to a lease agreement shall be assigned to DIGITAL as defined on Schedule F attached hereto.

7.4 DIGITAL shall grant GE a credit in the amount determined by the final inventory of the assets purchased, which credit will be applied against the payment or payments by GE to DIGITAL for the Services to be performed under this Agreements. Cash Payment (by Check) will be provided in lieu of a credit if GE so requires.

7.5 Title to the Assets shall pass to DIGITAL upon Transfer Date and passage of title shall include the conveyance of all necessary Intellectual Property Rights required to use and operate the Assets. GE shall cooperate fully in assisting DIGITAL in all reasonable requests to provide and execute all other necessary documents to vest DIGITAL's interest in the Assets.

7.6 GE shall defend and hold DIGITAL harmless from any and all claims, liens, encumbrances and legal processes of GE's creditors and other persons who may claim the Assets.

7.7 The parties shall, in good faith, seek to resolve any issues which form the basis for rejection of a particular asset; however if no resolution can be achieved the attached Assets and associated Services may be declared by DIGITAL or GE to be out of the scope of this Agreement.

7.8 DIGITAL and GE reserve the right to retain any independent subcontractor or agent, at their sole cost, to perform the inventory or valuation of the Assets provided the requesting party has obtained the written notice and approval of the other party.

7.9 GE will provide DIGITAL rent-free space in the greater Evendale, Ohio area adequate for the purpose of providing output processing Services. GE agrees to provide all necessary utilities (including without limitation HVAC, lighting and electrical services) at no charge to DIGITAL as well as use of common areas in the building such as rest rooms and first aid to the same extent available to GE employees.

In the event that GE terminates the rent-free space, GE shall pay to DIGITAL the direct costs and expenses incurred by DIGITAL attributable to relocating the affected Equipment.

Regarding output processing services for Lynn, Massachusetts, DIGITAL agrees to provide all necessary utilities and space.

8. TRANSFER OF CUSTOMER LICENSE RIGHT

DIGITAL will support the Software as set forth on Schedules B, C, and D. All other Software together with administration, programming, enhancements on maintenance is excluded from the scope of service.

8.1 GE Software

a. GE Software required by DIGITAL to perform the Services hereunder will remain the property of GE as listed on Schedule E attached. GE will provide DIGITAL access to any information about GE Software which DIGITAL reasonably determines is necessary to perform the Services. Access formats and information about GE Software shall be made available to DIGITAL as DIGITAL may reasonably request, including GE's most recent Documentation.

b. GE hereby grants to DIGITAL the right to execute GE Software which executes on any Assets within scope of this Agreement, or those processors that support the systems under scope of this Agreement. All access to GE Software granted by GE to DIGITAL under this section will be subject to the following provisions:

   i. Operators. Except with the prior written consent of GE or to the extent required by natural disaster or similar emergency, the Programs shall not be operated, directly or indirectly, by persons other than employees, subcontractors or agents of DIGITAL or GE.

   ii. GE Work. Except with the prior written consent of GE, only work/services required by GE under this Agreement shall be processed utilizing the GE Software.

   iii. Confidentiality. DIGITAL will keep the GE Software confidential and will not disclose the GE Software or any of their various components or modifications to any third party or non-Program Digital employees not authorized to operate the GE Software under this Agreement. GE Software shall not be sold, licensed, assigned, leased or commercially exploited or marketed in any way, with or without charge, by DIGITAL or its employees, subcontractors or agents. Except to the extent required for normal operation and management of the GE Software in the day to day business operations of DIGITAL, DIGITAL will not permit the GE Software to be copied in whole or in part.

8.2 DIGITAL Software

DIGITAL Software is and will remain DIGITAL's property.

a. Operating Software

All valid DIGITAL Operating System Software installed on the Assets shall be transferred to DIGITAL on Transfer Date. Upon termination or expiration of this Agreement, GE may purchase a license from DIGITAL pursuant to Section 17 entitled "Disengagement".

b. Layered Software

DIGITAL Layered Software listed on Schedule B which is validly licensed to GE and installed on the Assets as of Commencement Date shall remain licensed to GE pursuant to the original license granted to GE by DIGITAL. All revisions and updates to the Layered Software on Schedule B after the Commencement Date shall be licensed to GE at expiration or termination of this Agreement.

DIGITAL Layered Software that is requested by GE during the term of this Agreement that is provided pursuant to a DIGITAL quote will be licensed to GE after termination or expiration of the Agreement. All other DIGITAL Layered Products provided during the term of this Agreement shall not transfer to GE upon termination of this Agreement.

c. Source Code

Additional terms apply to all software license orders for Source Code Software. GE must execute an appropriate DIGITAL Source Code License Agreement to obtain a license for Source Code Software.

8.3 Third Party Software

Third Party Software will remain the property of the Third Parties to which it is proprietary. GE has valid and up-to-date licenses for each item of Third Party Software currently installed on all Assets.

a. Operating Software

GE must transfer, sublicense or assign it's rights to all Third Party Operating System Software (and related documentation, database management systems, data and technical information) to DIGITAL as described on Schedule C, subject to all agreed upon terms and conditions be and among DIGITAL, GE and the owners and distributors of the Third Party Operating Software. This transfer, sublicense or assignment shall be done at the sole expense of

GE.

In the event GE is not able or cannot transfer sublicense or assign the Third Party Operating Software installed on the Assets; GE may either 1) retain title to the Assets and Operating System; or 2) obtain a license for DIGITAL at GE'S sole expense.

b. Layered Software

   i. GE shall transfer, sublicense or assign it's rights to the Third Party Layered Software (and related documentation, database management systems, data and technical information) to DIGITAL as described on Schedule C subject to all agreed upon terms and conditions by and among DIGITAL, GE and the owners and distributors of the Third Party Layered Software. This transfer, sublicense or assignment shall be done at the sole expense of GE.

   ii. Agency
   In the event Third Party owner or distributor is unable or unwilling to transfer, sublicense or assign it's rights to Third Party Layered Software, the license shall remain with GE and DIGITAL will be designated in writing by GE as an agent acting on behalf of the GE for the sole purpose of providing Services hereunder as rated on Schedule D attached hereto.

c. GE warrants and represents that it has all right, license and interest necessary to effect the above transfer and agrees to and does willingly indemnify DIGITAL against any changes, demands or actions and any costs in expenses resulting from breach of this express warranty, including the cost of DIGITAL licensing non-assignable software directly from the Third Party.

d. In the event the software listed on Schedules B, C and D is not at the most current and valid version as of the Commencement Date for any reason and to any Third Party Software in scope during the term of this Agreement, DIGITAL and GE may:

   i. Immediately upgrade the software to the most current version as of the Commencement Date at GE's expense;

   ii. use reasonable efforts to maintain the current version of the software, however this software and any System utilizing the software shall not be subject to any service levels as described in the Service Level Agreements; or

   iii. prepare a migration plan to migrate the software to another product or a more current version pursuant to a separate DIGITAL quotation for such conversion and migration costs.

e. If Service Level Agreement, functionality or redundancy are adversely impacted by the GE introduction of any application Software, DIGITAL shall be excused from performing under any Service Level Agreements or any obligations or liabilities connected to such Service Level Agreements. DIGITAL shall be excused from any of its Service responsibilities if it is prevented from performing due to a Third Party or application software license restriction. The terms and conditions of any sublicense or license of such Third Party by DIGITAL and GE, and if required, the owners or distributors of Third Party Software.

f. Upon expiration or termination of this Agreement, DIGITAL will take all reasonable actions necessary to:

   i. grant GE a sublicense to any Third Party Software;

   ii. cause the third party owners or distributors of Third Party Software to grant to GE a license; or

   iii. provide to GE an alternative that will grant GE or its designee the right to continue to perform.

g. GE shall be responsible to provide any notifications required by GE's licensors in order to effect this transfer, and shall execute such agreements and take such other actions as reasonably required in order to perfect the transfer.

h. New software product purchases for software supplied by vendors listed on Schedules C and D will follow the already established process. For new software product purchases for software supplied by new vendors, DIGITAL will establish assignment or limited agency agreements.

8.4 For Third Party software licenses that DIGITAL has included in Schedules C and D, DIGITAL will not thereafter unreasonably object to changes in the licensing provision, provided GE pays all increases in licensing costs or transfer fees related to such changes as imposed by the Third Party vendor. In the event DIGITAL objects to the licensing changes, the Third Party licenses at issue shall either 1) remain at the current version and current license terms or 2) declared out of scope.

8.5 Except as may be expressly provided elsewhere in this Agreement, DIGITAL's provision of the Services, and use or provision of any products in connection with DIGITAL's provision of the Services, or GE's use of any products, does not grant to GE any implied license, right or interest in any DIGITAL patents, copyrights, trade secrets or other intellectual property rights.

8.6 The license granted by DIGITAL hereunder shall include licenses under any copyrights, patents, maskwork rights, or trade secret rights existing in such Software, Specification and Documentation, whether or not made by or on behalf of GE, shall contain (as applicable) DIGITAL and/or its Subcontractor's copyright and other proprietary notices and shall not be furnished to any third party unless acting as GE'S employee or agent and under limitations consistent with these provisions. Except as expressly provided hereunder, no right, interest, license, or title to, or ownership of, such Software, Specifications, or Documentation shall pass to GE.

9. MAINTENANCE MATERIAL

Diagnostic Software, Documentation, equipment or other material used by DIGITAL in the performance of Services may be furnished with Products or stored at Purchaser's facility. DIGITAL grants no title or license to such material, and it remains the exclusive property of DIGITAL. Purchaser agrees to properly secure such material and not to use it in any manner or make it available to third parties without DIGITAL's prior consent.

10. PROPRIETARY INFORMATION

10.1 In the course of performing their obligations under this Agreement, it may be necessary for DIGITAL or GE to disclose to the other information that it considers to be confidential, proprietary or a trade secret ("Information").

10.2 This Section shall apply to the information disclosed by one party to another during the term of this Agreement.

a. All Information disclosed in tangible form (including but not limited to, printed matter, models, specimens, electronic media such as computer tapes, disks, drums, memories and the like) shall be considered Information;

b. All information disclosed in oral, electronic or visual forms;

c. All information shall include the Proprietary Information of Third parties necessary to perform duties under this Agreement.

i. Each party agrees to use the same degree of care (but not less than a reasonable standard of care) to protect Information from disclosure to third parties as it uses to protect its own proprietary information of similar importance. Disclosures of Information shall be restricted to the parties' employees who are directly participating in the efforts covered by this Agreement.

ii. Information shall be used and reproduced only in the connection with the parties' obligations under this Agreement. Any Information shall be restricted to A) the members of the DIGITAL Program responsible for delivery of Services hereunder; B) to others within DIGITAL outside the scope of the Program that have a need to know the Information; or C) summary overview of the Information may be discussed with DIGITAL or GE Corporate executives to secure approval and investment in this Program. Except as specifically stated herein, neither party grants to the other any right, title or interest, whether expressed or implied, in the Information or in any of its intellectual property rights.

iii. The limitations on reproduction, disclosure and use of Information shall lapse five (5) years following expiration or termination of this Agreement, or upon the occurrence of one of the following:

(1) the Information is publicly available or later becomes publicly available other than through a breach of this Agreement; or
(2) the Information is furnished to a third party by the disclosing party without similar proprietary restrictions on the third party's rights; or
(3) is independently developed by the receiving party; or
(4) is or becomes part of the general public knowledge or literature otherwise than as a consequence of breach of obligations under this Agreement; or
(5) disclosure of the Information is compelled by court order, or judicial or administrative process provided the party being compelled to disclose the Information promptly notifies the other party of the request or requirement to disclose so that the other party may contest such request or requirement.

10.3 In addition, a party shall not be liable for reproduction, disclosure or use of the information disclosed to it if such Information is known to the party prior to such disclosure without any breach of the obligation of this Section 10 this Agreement; or is independently developed by the party subsequent to such disclosure without any breach; or is lawfully obtained by the party from a third party without obligations of proprietariness. DIGITAL, however, may disclose to its subcontractors Information necessary for DIGITAL to perform its obligations under the project, provided that an agreement which imposes non-disclosure obligations similar to those contained in this section is in effect with such other party.

10.4 These non-disclosure obligations shall not prevent either party from developing, acquiring or furnishing to its customers products or services similar to the Products or Services being furnished hereunder, provided that such is accomplished without use of the Information.

10.5 Upon termination of this Agreement, all tangible forms of Information shall be promptly returned to Discloser or destroyed at Discloser's options.

10.6 All Information shall be subject to the terms of Section 18 of this Agreement.

11. INTELLECTUAL PROPERTY INDEMNIFICATION

11.1 DIGITAL shall defend, at its expense, any claim (including any suit brought against GE) alleging that any Products furnished or Services provided hereunder infringe a United States patent, copyright, or maskwork right, and shall pay all costs and damages finally awarded, provided that GE gives DIGITAL prompt written notice of such claim, and information, reasonable assistance and sole authority to defend or settle the claim. In the defense or settlement of the claim; DIGITAL may obtain the right to continue providing the Services, modify the Services so they become non-infringing, or if such remedies are not reasonably available, terminate the Services and refund to GE any prepaid Service fee related thereto.

11.2 Notwithstanding the above, DIGITAL shall not have any liability for a claim alleging that the Products or Services, including any Custom Software, infringe a U.S. patent or copyright if the alleged infringement was furnished by GE, if the alleged infringement is the result of a modification made by GE, or if the infringement relates to any third party product incorporated into the Products or Services or the combination of DIGITAL Products or Services with any third party products or Services. DIGITAL disclaims all other liability for violation, misappropriation or infringement of intellectual property rights, and **FURTHER DISCLAIMS ANY LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS.**

11.3 Likewise, GE shall defend, at it's expense, any claim (including any suit brought against GE) alleging that any Assets or Products furnished or Services provided hereunder infringe a United States patent, copyright or mask work right, and shall pay all costs and damages finally awarded, provided that DIGITAL gives GE prompt written notice of such claim, and information, reasonable assistance and sole authority to defend as settle the claim. In defense and settlement of the claim, 1) with regard to any Products furnished hereunder, GE may obtain for DIGITAL the right to continue using the PRODUCTS, in place and modify the Products so they become non-infringing, in, if such remedies are not reasonably available, withdraw the Product and any related system out of scope under this Agreement, (2) with regard to the provision of any Services hereunder, GE may obtain the right to continue providing the Services, modify the Services so they become non-infringing, or if such remedies are unavailable, declare the Services and any related system out of the scope under this Agreement.

11.4 The purchase, license or use of any Products by GE does not convey any right to combine or connect any Products, protocols, or system architectures with Products other than Authorized Products where DIGITAL or its Subcontractors has one or more patents covering such combination or connection. Authorized Products are: (i) Products covered by an express license between DIGITAL and its Subcontractors and GE, (ii) Products distributed directly or indirectly by DIGITAL or its Subcontractors, or (iii) Products distributed directly or indirectly by any Licensee of DIGITAL or its Subcontractors whose license includes the right to resell or sublicense such Products.

11.5 Except as expressly set forth herein, DIGITAL and its Subcontractors grant no right, title, or interest in its intellectual property rights to GE.

12. WARRANTY

12.1 DIGITAL warrants that the Services provided hereunder shall be performed in a professional manner in accordance with the terms of the Interim or Final Service Level Agreements and Statement of Work as applicable; PROVIDED, HOWEVER, that this warranty is subject to the GE meeting its responsibilities as set forth in this Agreement.

12.2 **Except for the express warranties stated herein, DIGITAL and its subcontractors disclaim all warranties, both express and implied**, whether arising by or under statute, regulation or operation of law, including without limitation any implied warranties of merchantability and fitness for a particular purpose, and that stated express warranties are in lieu of any other obligations or liabilities on the part of DIGITAL and its Subcontractors which might arise out of or in connection with the performance of this Agreement.

13. WARRANTIES AND REPRESENTATIONS

The GE makes the following warranties and representations:

13.1 GE warrants and represents that it has advised DIGITAL of any known defects, deficiencies and hazards of use of the Assets.

13.2 GE represents and warrants that it is the true and lawful owner of the Assets, including all related documentation, and GE has the right to transfer good and marketable title thereto, and to convey to DIGITAL the unencumbered right to use, modify, sell, lease, convey and otherwise transfer, utilize, manage and control the Assets, both free and clear of all claims, liabilities, liens, pledges, charges and encumbrances of any kind; and that it has not granted and will not grant to any third party any right to own or use the Assets in contravention of CUSTOMER's sale and transfer hereunder and that there are no restrictions or other legal impediments either imposed by law, statute or regulation or by any instrument which would prevent DIGITAL from purchasing and taking possession and title of the Assets for the purposes and in the manner contemplated in this Agreement.

13.3 GE represents and warrants that it is not a party to, or to GE's best knowledge threatened with, and none of the Assets are subject to, any litigation, suit, action, investigation, proceeding or controversy before any court, administrative agency or other governmental authority which would have a material adverse effect on the Assets or any portion thereof; nor is GE knowingly in violation of or in default with respect to any judgment, order, writ, injunction, decree or rule of any court, administrative agency or governmental authority which would have a material adverse effect on the Assets or DIGITAL's rights hereunder.

13.4 GE warrants and represents that the Assets are, when utilized by a labor force substantial similar to that currently employed by GE as of the Commencement Date, adequate for use in their intended purpose under this Agreement.

14. TAXES

GE shall be responsible for, and all prices are exclusive of, any sales, use, service, or like taxes, if any. GE shall have no liability for, and DIGITAL shall be responsible for any taxes due based on DIGITAL's net income resulting from this Agreement.

15. PRICE AND PAYMENT

15.1 GE shall pay to DIGITAL for the Services the fee as set forth in Exhibit B attached hereto and incorporated herein. DIGITAL shall invoice GE for the Baseline Price which shall be pre-paid on a quarterly basis. Increases or decreases to the Baseline Price shall be billed on a quarterly basis. Payment of all invoices submitted to GE is in accordance with GE Standard Terms of Settlement (net forty (40) days).

15.2 Changes in the Services, including without limitation changes to the Service Level Agreements, Statement of Work and scope may result in a change in the Service fee.

15.3 DIGITAL will install or deinstall computing capacity at GE's request. The increase/decrease in capacity requirements will be reflected in pricing adjustments referenced in Exhibit B attached hereto and incorporated herein.

15.4 DIGITAL and GE agree that the Services DIGITAL is delivering under this Agreement are unusually complex and implemented to meet a time sensitive GE timetable. As such, if additional resources beyond those listed in the Statement of Work, are required by DIGITAL to meet its obligations, and by using a reasonable standard of care, the need for such additional resources could not have been reasonably foreseen in the specific circumstances at the time of contract, GE agrees to renegotiate the pricing and terms in this Agreement in good faith. This paragraph will not affect the parties independent contractor relationship or the viability or enforceability of the Agreement.

15.5 GE warrants and represents that to the best of it's knowledge the GE current baseline cost figures provided to DIGITAL during discovery and up to the execution of this Agreement are current, complete and accurate, except as disclosed otherwise to DIGITAL. GE acknowledges and understands that these current GE cost figures were a material part of the negotiations when developing the Baseline Price and the Increment/Decrement tables and these costs must be reconciled by DIGITAL and GE with local supporting data in the sixty (60) days following Commencement Date. GE shall provide DIGITAL with all current and complete local supporting data to the baseline cost figures. DIGITAL, with GE's reasonable assistance shall reconcile this local supporting data with the cost figures.

In the event GE baseline cost figures do not reconcile with the local supporting data provided by GE, then DIGITAL and GE shall negotiate in good faith to change the Baseline Price as stated in Exhibit B, as well as the Increment/Decrement tables as provided in Exhibit C as necessary.

16. TERMINATION

16.1 For Cause

a. Either party may terminate this Agreement upon written notice to the other Party if the other Party fails to perform any of its substantial and material obligations under this Agreement and such failure continues for a period of one hundred and eighty (180) days following receipt of written notice from the other Party specifying the nature of default, unless the alleged default is of such a nature that it cannot reasonably be cured within such one hundred and eighty (180) day period and the defaulting Party produces a plan for the cure of the default within a further reasonable time period and proceeds diligently to cure the default in accordance with the plan. The termination rights of the Parties are subject to the limitations set forth in Section 24 of this Agreement.

b. In the event that DIGITAL issues written notice of termination to GE under this Section 16.1, GE shall, immediately upon receipt of notice, pay to DIGITAL:

   i. any and all amounts previously invoiced and outstanding;

   ii. an amount equal to the costs and fees included in Exhibit C attached hereto of this Agreement.

c. If this Agreement is terminated by GE as provided herein, DIGITAL may perform the Services (and receive payment) as described under Section 17.

16.2 For Convenience

a. This Agreement may not be terminated for convenience by GE during the first three (3) years of the Initial Term. However notice of termination for convenience may be sent two (2) years after Commencement Date. Thereafter, GE may terminate this Agreement for any reason, provided it has given DIGITAL at least one (1) year's prior written notice to terminate, and the effective date thereof.

b. In the event of such Termination under Section 16.2, and upon the effective date of Termination, GE shall immediately pay to DIGITAL:

   i. any and all amounts of current invoices and previous invoices outstanding;

   ii. an amount equal to the costs and fees included in Exhibit C attached hereto of this Agreement.

16.3 Mutual Termination

a. GE or DIGITAL may mutually agree to terminate this Agreement in a six (6) month period after Commencement Date.

b. The terminating party must give the other party sixty (60) days prior written notice of it's intent to terminate this contract under this Section 16.3 and the other parties must agree to this termination. In the event of such termination, DIGITAL shall recover the following amounts from the GE, which shall include, but is not limited to:

   i. Outstanding lease payments;

ii. any and all telecommunication charges;
iii. any and all costs related to the establishment of the CMC's not to exceed $1.5 million;
iv. reimbursement of any and all third party service or supplier charges or costs incurred by DIGITAL; and
v. GE shall repurchase all Assets sold to DIGITAL at the same price as set forth in Section 7.

c. Both parties rights under this Section 16.3 must provide notice of termination during the four (4) months after Commencement Date or waive their right to exercise this termination clause thereafter.

17. DISENGAGEMENT

17.1 At the expiration of the term of this Agreement or if the Agreement is terminated by either party in accordance with Section 16 of this Agreement, then the parties shall follow the disengagement procedures specified in this Section 17. During this period between expiration or termination and the cessation of all services by DIGITAL (herein the "Disengagement Period"), which shall not exceed six (6) months, the parties will continue to perform all of their obligations under this Agreement as long as DIGITAL is paid for Services provided during the Disengagement Period in the manner and the amount provided under this Agreement, or as otherwise agreed.

17.2 Each party will cooperate reasonably and in good faith with the other so that the transition from the Services rendered under this Agreement shall be timely and efficient and implemented in a manner which will not unduly interfere with GE's orderly conduct of its business or DIGITAL's other operations. Within ninety (90) days after a reasonable and proper GE request, DIGITAL shall prepare and deliver to GE a disengagement plan summarizing:

a. the Services then being provided by DIGITAL; and

b. the manner in which the Services are being delivered; all GE's proprietary information shall be returned, as applicable, to GE.

17.3 Each party's proprietary Information shall be returned, as applicable, to the other. GE shall permit DIGITAL access to its premises to remove any of DIGITAL's proprietary information.

17.4 All equipment, documents, records, books, tapes, disks and files provided by GE for which GE was not paid and to which GE retained title, and which have not been disposed of with GE's permission, shall be returned to GE in substantially the same condition as received, ordinary wear and tear excepted.

17.5 Subject to agreement on price, and subject to its rights to assign, DIGITAL shall use its reasonable efforts to transfer to GE, DIGITAL's entire interest in and license rights to all hardware, application software, and system software purchased or licensed by DIGITAL from a third party on behalf of GE's Program pursuant to this Agreement, and all third party maintenance, service and support agreements related thereto.

17.6 GE shall be granted a license to use DIGITAL Software as stated in Section 8 of the Agreement DIGITAL. Otherwise GE may purchase DIGITAL Layered Software for it's own use, subject to DIGITAL's then current standard software license fees, terms and conditions. Otherwise, GE shall permit DIGITAL to remove all Software.

17.7 GE shall have the right to purchase from DIGITAL at the then fair market value, as determined by a mutually agreed upon Third Party assessment, all items of Equipment and Operating System Software provided by DIGITAL for the purposes of providing the Services under this Agreement that are then commercially available from DIGITAL or other Third Party vendors under DIGITAL's then current standard terms and conditions. Otherwise, GE shall permit DIGITAL to remove all Equipment and DIGITAL operating software.

18. EXPORT

18.1 GE and DIGITAL understands that U.S. export control laws and regulations apply to the export and re-export of DIGITAL and third party Products, Services and technical data. GE acknowledges that it is knowledgeable about U.S. export controls or that it will become so prior to engaging, directly or indirectly, in any export transaction involving the Products or technical data provided under this Agreement.

18.2 GE and DIGITAL agree that they will not export or re-export the Products or Services or any portion thereof, including any technical data or immediate Products of that technical data, without first obtaining the U.S. and other government export authorizations required under the U.S. Export Administration Regulations (Parts 770 and 779). These export obligations survive the term of this contract.

19. FORCE MAJEURE

Each party will be excused from performance under this Agreement due to circumstances beyond its reasonable control, such as labor disputes; strikes; lock-outs; shortages of or inability to obtain third party labor, energy, equipment or supplies; unavailability of key third party personnel; the insolvency of its Subcontractors; war; riot; insurrection; epidemic; act of God or other deities; or governmental action, including failures and fluctuations or non-availability of electrical power, heat, light, air conditioning or telecommunications equipment and is not the fault of the non-performing Party, provided that the non-performing Party notifies the other Party promptly and in detail of the commencement and nature of such cause and the probable consequences thereof and uses all reasonable efforts to render performance in a timely manner utilizing all resources reasonably required in the circumstances. GE agrees not to hold DIGITAL liable or responsible for delays or inability to deliver under the Agreement due to U.S. or other government export control laws, regulations and processes.

20. HEALTH and SAFETY

20.1 GE will provide a safe working environment at its site for DIGITAL employees performing the Services specified under this Agreement. Prior to commencing any Services hereunder, GE shall notify DIGITAL of any potential safety or health hazards that may exist at the site, such as asbestos or other toxic material, or radiation. For any site which may present potential safety or health risks, GE shall provide all DIGITAL employees who will be working at the site with a site safety orientation. This orientation shall include any site specific safety information including, without limitation, any requirements for personal protective equipment or medical surveillance, emergency response procedures, restricted work areas, or confined spaces.

20.2 In the event that DIGITAL determines that a condition exists at the site which presents a current or imminent danger or hazard to the health, safety or well-being of its employees, or any Subcontractor personnel used by DIGITAL, DIGITAL shall be entitled to either suspend performance, without penalty or charge to DIGITAL, until such danger or hazard is removed or cured to applicable government standards, if any, or if no government standards, DIGITAL's reasonable satisfaction; or with GE's written approval, remove or cure such hazard or danger, and charge the expense of such removal to GE; or with GE's written approval terminate performance at the site in question without penalty or charge. During such work suspension, GE shall continue to pay DIGITAL the same charges as if the Services had continued.

20.3 Neither a waiver of liability by DIGITAL or its employees, or by any Subcontractor(s) or its employees, nor a consent to proprietary obligations, nor any other similar restrictions or obligations, shall be imposed as a requirement for access to GE's facility where any Service will be provided or any work will be performed.

21. ISSUE RESOLUTION

21.1 The Parties will utilize the following procedure to resolve all issues, disputes or claims which may arise under this Agreement ("Issues").

21.2 Issues will formally be raised between the Parties by either DIGITAL's or the GE's Program Manager to the other in a Notice of Issue for Resolution (Notice). The Notice will copy the immediate manager of each Program Manager. In the event the Program Managers are unable to agree on a plan for resolving the Issue within thirty (30) days of the notice, either Program Manager may request that their immediate managers (Level 1) meet to discuss the Issue. A meeting between the Level 1 managers shall be held within thirty (30) days of the date on which such meeting is requested. In the event the Level 1 managers are unable to agree on a plan for resolving the Issue within thirty (30) days of the requested meeting, either manager may raise the Issue to their respective managers (Level 2). A meeting between the Level 2 managers shall be held within ten (10) days of the day on which such a meeting is requested.

21.3 In the event that the Level 2 managers are unable to agree on a plan for resolving the Issue within thirty (30) days of the requested meeting, either Level 2 manager may raise the Issue to the respective designated Parties, as provided below.

<u>DIGITAL</u>	<u>GENERAL ELECTRIC</u>
Program Manager Digital Equipment Corporation	Manager Computer Technology Services
Vice President/Information Technology & Operations	Manager Information Technology Services Department
U.S. Vice President Digital Consulting	Vice President Finance & Information Technology

21.4 If the Issue Resolution Process is unsuccessful, or if DIGITAL cannot continue to provide the service without the implementation of the Change Request, DIGITAL may terminate this Agreement in accordance with Section 16 of this Agreement.

22. INDEMNIFICATION

22.1 Each Party shall defend and indemnify the other Party from and against all claims brought by third parties to the extent the claims seek direct damages, for such third party's tangible property damage or personal injury allegedly caused by that Party's negligence or willful misconduct.

22.2 The Party Indemnitor has full authority to settle all such claims. The Party Indemnitee shall provide reasonable assistance to the Party Indemnitor, at its own expense, when such assistance is so requested.

22.3 In no event will the amount of the indemnification under this section exceed the limitations on liability set forth in Section 24 of this Agreement.

23. INSURANCE

23.1 During the term of this Agreement, DIGITAL shall maintain the following insurance coverage:

Worker's Compensation....................Statutory

Employer's Liability...........................$500,000.00

Comprehensive General Liability.....$2,000,000.00
including personal combined single limit
injury and property damage

Automobile
Liability..$2,000,000.00
and Physical Damage combined single limit

Umbrella Liability...........................$1,000,000.00
combined single limit

23.2 GE bears all risk of loss for Assets used in the providing of Services while such Assets are on GE premises and must assume self insurance protection for such Assets except for damage caused solely by the negligence of DIGITAL, its employees or agents. DIGITAL is, and shall remain the owner of all in-scope Assets purchased from GE upon Transfer Date and all Products supplied after the Commencement Date.

24. REMEDIES AND LIMITATION OF LIABILITY

24.1 In the event of any claim by GE concerning the subject matter of this Agreement, GE's sole and exclusive remedies shall be as set forth in this Agreement.

24.2 Except as set forth below, DIGITAL's cumulative liability under this Agreement to GE for any cause whatsoever shall be for direct damages only and shall be limited to the average annual Baseline charge for the Service at issue during the term of the Agreement. Direct damages under this section shall include loss of data or use and are limited by the liability cap stated above.

24.3 These limitations shall apply regardless of the form of action, whether in contract or tort, including negligence, or any other form of action.

24.4 **IN NO EVENT SHALL DIGITAL BE LIABLE FOR ANY DAMAGES RESULTING FROM LOST PROFITS, INCIDENTAL OR CONSEQUENTIAL DAMAGES.**

24.5 Any action against DIGITAL must be brought within eighteen (18) months after the cause of action arise.

25. PUBLIC STATEMENTS

All public statements, announcements and disclosures and all media releases issued by either Party or its employees or agents relating to this Agreement or its subject matter, including without limitation promotional literature shall be subject to the approval of the other Party, which approval shall not be unreasonably withheld or delayed. The requirement for approval by the other Party shall not include any announcement or releases intended solely for internal distribution by either Party or any disclosure required by legal, accounting or regulatory requirements beyond the reasonable control of either Party.

26. RECORD KEEPING AND AUDIT RIGHTS

DIGITAL shall maintain local records necessary to substantiate invoices for Services performed under this Agreement. These records will be provided to GE within a reasonable time following a written request. In no event shall any records be required to be maintained by DIGITAL longer than five (5) years from the date of invoice for the Service.

27. GENERAL PROVISIONS

27.1 This Agreement consists of Sections 1 through 27, Exhibits A - E, Schedules A-L, and DIGITAL's Service Descriptions applicable to the Services provided hereunder. Any ambiguity or conflict among the documents comprising this Agreement shall be resolved by applying the following order of precedence:

- Section 1 through 27 of this Agreement.

- Exhibits A - F

- Schedules A - L

- Other Attachments to this Agreement

- Service Descriptions

27.2 This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior communications, whether oral or written, by an employee or representative of either party. Any modification to these terms and conditions must be in writing and signed by authorized representatives of GE and DIGITAL.

27.3 This Agreement, including those attachments attached hereto or incorporated by reference, will be governed by and construed according to the laws of the State of Ohio, without regard to that body of law controlling conflicts of law.

27.4 Notwithstanding the expiration or termination of this Agreement, the obligations set forth in Sections 10,11,12,13,18, 22, and 26 of this Agreement shall survive such expiration or termination.

27.5 Unless otherwise specified in this Agreement, all notices shall be given in writing to the person and address listed below, or such other person or such other address and as the party receiving the notice shall have previously indicated in writing. Unless otherwise specified, the effective date of any notice given in connection with this Agreement shall be the date on which it is received by the addressee.

DIGITAL:

Scott Benson
Digital Equipment Corporation
10101 Alliance Drive
Cincinnati, Ohio 45242

GENERAL ELECTRIC:

Jeffery C. Wells, C.P.M.
Sr. Buyer/Contract Administrator
Services & Information Procurement
One Neumann Way MD 048
Evendale, Ohio 45215-1389

Notices will be deemed given when (a) delivered personally, (b) sent by confirmed telex, (c) sent by commercial overnight courier with written verification of receipt, or (d) sent by registered or certified mail, postage prepaid, return receipt requested.

27.6 The headings of the Sections of this Agreement have been included for convenient reference only and will not be deemed to affect the meaning of the operative provisions of this Agreement.

27.7 The parties hereto are independent contractors. Nothing in this Agreement shall be deemed to constitute or form an employment relationship, partnership, limited agency or other form of business relationship with the exception of DIGITAL acting as an agent on behalf of GE as defined in this Agreement and the Statement of Work.

27.8 If any provision of this Agreement is finally determined to be unlawful, then such provision will be deemed to be severed from this Agreement and every other provision of this Agreement will remain in full force and effect.

27.9 This Agreement may not be assigned by either party without the prior written consent of the other party, which consent shall not unreasonably be withheld. DIGITAL may, however, subcontract its obligations hereunder, and, except as provided elsewhere in this Agreement, shall remain responsible for the performance of all subcontractors.

27.10 Nothing in this Agreement may be relied upon, or is intended for the benefit of, any party other than GE and DIGITAL.

27.11 DIGITAL shall comply with all federal and state statutes and regulations, including those referenced in the GE Integrity: Spirit and the letter of our commitment.

27.12 No delay or omission by either party to exercise any right or power occurring upon any non-compliance or default by the other party with respect to any of the terms of this Agreement will impair any such right or power or be construed as a waiver thereof. A waiver by either of the parties of any of the covenants, conditions, or agreements to be performed by the other party will not be construed to be a waiver of any succeeding breach or of any other covenant, condition or agreement contained in this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representative.

DIGITAL EQUIPMENT CORPORATION

By:______________________________

Title:______________________________

Date:______________________________

GENERAL ELECTRIC COMPANY
GE AIRCRAFT ENGINES

By:______________________________

Title:______________________________

Date:______________________________

By:______________________________

Title:______________________________

Date:______________________________

II. EXHIBITS

EXHIBIT A
STATEMENT OF WORK

EXHIBIT B
PRICE

1.0 Definitions

1.1 Baseline

The Baseline is the minimum utilization, agreed upon by GE and DIGITAL, of processing and storage units for DIGITAL, Prime and Wang over the term of the agreement. The Baseline is depicted in Exhibit E.

1.2 Baseline Price

The Baseline Price is the price per year which GE will pay to Digital for delivery of services, which are described in the Statement of Work and defined in the Final Service Level Agreements, within the in-scope area of GE. The units of utilization included in the Baseline serve as the basis for the processing and storage portion of the Baseline Price. The Baseline Price is expressed as a dollar amount per year, and takes into account committed Annual Productivity Gains. The processing and storage portion of the Baseline Price is calculated by the multiplication of the units of utilization by the price per unit contained herein (see 3.1 and 3.2 of this exhibit).

1.3 Annual Productivity Gains

The Annual Productivity Gain is a provision for price reductions on the year-to-year Baseline Price as a result of efficiencies achieved through continued consolidation, modernization of assets, and continuous process improvements. The Annual Productivity Gain is based on the price per Processing Unit of Work (PUW), and price per Storage Unit of Work (SUW). Digital has set the Annual Productivity Gains at fifteen (15%) percent minimum per year on price per PUW and ten (10%) percent minimum per year on price per SUW.

1.4 Increment/Decrement Process

The Increment/Decrement Process allows compute resources to be added or deleted from the mid-range environment to accommodate an increase or decrease in GE's utilization requirements.

1.5 Adjusted Price Line (APL)

The Adjusted Price Line (herein "APL") is the annual Baseline Price plus the sum total of any increments and decrements, over and above the Baseline, which GE has utilized during the course of a quarter and previous quarters. The APL may never fall below the Baseline Price.

1.6 **Measurement Period**

A period in which DIGITAL will measure GE's use of the systems. This period will be quarterly except during the initial characterization period. Observed changes in utilization will result in an increment or decrement in the next invoice following the observed change.

1.7 **Peak Utilization**

Highest level of GE utilization of a system during a measurement period. Peak Utilization shall be calculated by determining average sustained utilization within each hour of the measurement period, and then averaging the five (5) highest peak hours.

1.8 **Usable Capacity**

Usable Capacity is the total capacity on a given system that can sustain the required service levels as defined by the applicable Final Service Level Agreement. The total capacity rating of the system will be deemed consumed when all usable capacity is utilized.

1.9 **Dedicated System**

Systems in this category have restrictions concerning the type or number of applications which may run on them. The configuration of a dedicated system will be customized to the specific needs of the application(s). Digital shall comply with all Final Service Level Agreements established for the dedicated system and the restrictions placed upon its use. A system may also be categorized as dedicated due to environmental conditions. An example is a system which is located at a remote facility in which network limitations prohibit unrestricted usage of available capacity. Systems which represent a one-of-a-kind platform or operating system type are also classified as dedicated due to Digital's inability to utilize that capacity for other applications. Examples of these one-of-a-kind systems are Tandem, Convex, NCR, and HP (MPE) systems. These systems are more specifically noted in Schedule L herein.

1.10 **Classified System**

Systems in this category represent the classified areas where special support and systems capabilities are required. These systems are more specifically noted in Schedule L herein.

1.11 **Shared System**

Any system which is not categorized as dedicated or classified.

1.12 **Planned Increment Activity**

Increment commitments identified in advance by GE for the contract year. These increments must be identified in writing to Digital no later than the end of the first quarter of the contract year. The entire planned increment will be charged to GE at the most favorable earned increment rate for that year.

1.13 **Unplanned Increment Activity**

Increments which have not been identified, and committed to, in advance. Unplanned increments will be charged at the earned increment rate equal to that increment activity, or, when combined with planned increment activity, the earned increment rate applicable to total increment activity.

1.14 **Units of Work**

A Unit of Work is a measurement of GE's use of the Services defined hereunder. These Units of Work have been broken down into two (2) categories.

a. Processing Unit of Work (PUW) is defined as the Units of Work that measure GE's use of processing services. A PUW provides one (1) CPU SPECmark + memory + labor + HW & SW maintenance + SW + personal property tax. One PUW correlates to one SPECmark on DIGITAL and HP platforms, one MIP on Prime platforms, and one unit of measure on Wang platforms.

b. Storage Unit of Work (SUW) is defined as the Unit of Work that measures GE's use of storage and storage applications. One (1) SUW provides one (1) GB disk + portions of back-up device and controller card + labor + HW & SW maintenance + supplies + personal property tax. One SUW correlates to one gigabyte (GB) of storage on all platforms.

2.0 **Baseline Description**

2.1 DIGITAL has determined a Baseline Price for each year of the Agreement. The stated amount of the Baseline Price (in thousands) appears in the following table:

	Yr.1	Yr.2	Yr.3	Yr.4	Yr.5
Processing & Storage	$17,835	$19,294	$15,106	$11,029	$ 8,897
Other Services	$ 7,965	$ 7,965	$ 7,965	$ 7,965	$ 7,965
Baseline Price	$25,800	$27,259	$23,071	$18,994	$16,862

Cost changes (+/-) for Other Services will be passed on to GE.

2.2 The annual Processing and Storage price reflects committed Baseline utilization. Upon Commencement Date, adjustments to the Baseline Price may be accomplished only through the Change Management Process (see Statement of Work, Appendix B). GE agrees to sunset (gradual discontinuance) Wang and Prime processing and storage as indicated in the Baseline. It will be at the negotiated determination of GE management and the DIGITAL Program Manager as to whether a given Baseline change represents a material deviation from the Baseline.

2.3 If a change to lower the baseline units is agreed upon through the change management process, add back (increment) of like number of units in succeeding years will be at the prevailing baseline PUW or SUW rate. Increments beyond those quantities will be at the appropriate increment table rate.

2.4 First Year Baseline Price

The first year Baseline price is $25.8 million. This Baseline correlates to GE's current year baseline costs of $28.5 million and will become effective at the time of Service Cutover. This price is also contingent upon the sixty (60) day reconciliation period in which GE and DIGITAL will work to reconcile all customer baseline cost figures with DIGITAL baseline cost figures to insure successful transfer and inclusion of appropriate leases and maintenance contracts as defined Section 15.5 of the Agreement.

3.0 Productivity Improvement

3.1 Processing

To insure continued improvement and cost effectiveness, ratio of $/PUW for each year as the basis for measuring productivity improvements in the computer processing aspects of this program. The following table represents the price per PUW as defined for the length of the contract. These prices are based on pre-characterization evaluation and could change due to characterization results.

YEAR	$/PUW (annual)
1	9070
2	7710
3	6560
4	5570
5	4740

These costs represent a fifteen (15%) percent annual productivity gain over the previous year's price.

3.2 Productivity Improvement - Storage

In addition to the processing price, a productivity improvement ratio for data storage price. This ratio will be based upon a ratio of $/SUW of storage. The following table represents the price per SUW for storage as defined for the full length of the contract. These prices are based on pre-characterization evaluation and could change due to characterization results.

YEAR	$/SUW (annual)
1	11540
2	10380
3	9340
4	8410
5	7570

These costs represent a ten (10%) percent annual productivity gain over the previous year's price.

3.3 **Conditions Precedent to Productivity Improvement**

a. The productivity improvement commitment is contingent upon the implementation of changes contained in the Baseline. Any change to the Baseline will be introduced through the Change Management Process as defined in the Statement of Work, Appendix B.

b. To calculate the $/PUW and $/SUW ratio in the current Baseline Price, DIGITAL has subtracted the miscellaneous service items and the costs associated with output processing to arrive at a value of data processing costs.

c. The Productivity Improvement associated with the DIGITAL "out-of-scope" maintenance agreements will be equal to or greater than the currently in-place effective discount granted to GEAE.

d. DIGITAL will aggressively pursue cost cutting/productivity gain opportunities and resulting changes will be reflected in the GEAE invoice.

4.0 **Increment/Decrement Overview**

4.1 The Increment/Decrement Process provides a mechanism for accommodating utilization requirements above the Baseline and may be initiated by:

a. Quarterly utilization reviews

b. Either party's written request to change the current environment using the Change Management Process.

4.2 Increment/Decrement Pricing can occur either by issuance of a DIGITAL authorized quote or by application of supplied rate tables where they exist. Rate tables are provided herein for the following service categories to establish increment and decrement flexibility:

a. VAX Computing Services

b. Alpha/AXP Computing Services

c. DIGITAL Storage Services

d. HP Computing Services (when available)

e. HP Storage Services (when available)

4.3 All Increment/Decrement pricing adjustments above the Baseline Price will be made in the first billing period following the quarter the Increment/Decrement was implemented, except as provided in a separate scheduling document which has been mutually agreed to between the parties.

4.4 When applying the decrement tables, the table levels will be applied consecutively, in sequence, until the entire decrement amount is exhausted.

4.5 Decrement in the dedicated environment is considered to be configuration dependent and will be applied only when an entire CPU and/or storage device is decremented.

5.0 **Characterization**

During the initial measurement period of one hundred eighty (180) days, DIGITAL will:

a. Measure Peak Utilization of each in-scope system

b. Validate usage of systems as shared, dedicated, or classified.

c. Document service level requirements in Final Service Level Agreements.

d. Determine Usable Capacity of each System based upon Final Service Level Agreement of the system.

e. Establish a performance trend line for each system in order to predict the rate of change in peak utilization.

6.0 **Planned vs. Unplanned Increment**

6.1 Planned Increment will always use the best rate available based upon the total increment of the annual plan regardless of the timing of utilization (provided it is in the same contract year). For example, GE plans for an additional 200 units of PUW in the next year and gives DIGITAL the appropriate notice at the beginning of the contract year of its plans. In January, GE increments the first 50 units and the rate for this initial increment is the 151+ rate, not the 26-50 rate since this was a Planned Increment.

If GE fails to implement its annual planned increment by the end of the current contract year, a one-time adjustment may occur in the fourth (4) quarter to charge GE at the actual earned increment rate. For example, GE fails to meet the requirement for VAX Processing Planned Increments and merely increases by fifty (50) increments in January of the next year. The rate used for calculating this increment is the 26-50 rate, not the 151+ as noted above.

6.2 Before utilizing increment tables, GE must first attain the maximum units of utilization identified in Baseline for the current year.

6.3 Planned increments utilized in a quarter will be combined with any unplanned increment utilization to calculate the total increment and determine the price for the total increment. Should the unplanned increment, when added to the planned increment, allow movement to a more favorable earned increment rate, the total increment for that quarter will enjoy the more favorable rate.

6.4 At the conclusion of a contract year, total increments (planned plus unplanned) will be carried forward at the best earned increment rate of that year for the total increment.

6.5 Prior year's increment/decrement activity is not used in determining applicable tier rates for the current year.

6.6 Fourth quarter increments that are captured in the next year's bill will be at the table rates of the year in which the incremented utilization occurred.

6.7 Increments and decrements that are carried forward to succeeding years will continue at the table rate in which the increment/decrement utilization occurred.

7.0 Increment/Decrement Rate Tables

7.1 New rate tables will be provided annually at the beginning of the new contract year. Processing Services Tables and Storage Service tables, will be adjusted downward by a minimum of ten (10%) percent per year at the beginning of contract years two (2) and three (3), and five (5%) percent per year at the beginning of years four (4) and five (5). GE retains the right to renegotiate rate adjustments planned for the beginning of years four (4) and five (5). In the event DIGITAL and GE cannot agree upon new rate tables, the most current rate tables will be revised downward by ten (10%) percent at the beginning of years two (2) and three (3) and by five (5%) percent at the beginning four (4) and five (5).

7.2 In the case of increments or decrements of more than twenty (20%) percent of GE's current PUW or SUW utilization across DIGITAL, Wang and Prime platforms in one (1) quarter, notice of changes will be provided pursuant to Section 6.2 of the Agreement.

7.3 GE may utilize the decrement tables only if GE has previously incremented above the Baseline. In no event may GE utilize the decrement tables to decrement below the Baseline. The decrement tables may be utilized after the peak utilization in a quarter reaches the number of applicable incremented units above the lowest number of baseline units for the contract year. Decrements below the Baseline commitment may be accommodated via the Change Management Process and DIGITAL authorized quote.

For example:

	Yr. 2	Yr.3
VAX Baseline	1205	1041
VAX Increment	100	100
VAX APL units	1305	1141

Decrement will not occur in year three (3) until peak utilization hits 1141 process units. At that point, decrement can be utilized until the planned baseline of 1041 units is reached.

7.4 Tables

7.4.1 DIGITAL Increment Table - VAX

VAX			
PUWs	Shared $	Dedicated $	Classified $
1-5	.00	.00	.00
6-25	.70	.84	1.05
26-50	.58	.69	.86
51-150	.45	.54	.68
151 +	.30	.36	.45

Price per PUW per Quarter (Thousands)

PUW $s are per 1 CPU SPECmark and provide: 1 CPU SPECmark + memory + labor + HW & SW maintenance + SW + personal property tax.

In addition to the table rate, $8,000 will be charged quarterly for each fifty (50) unit increment interval (combining VAX and Alpha AXP processing environments).

7.4.2 DIGITAL Increment Table - Alpha/AXP

Alpha AXP			
PUWs	Shared $	Dedicated $	Classified $
1-5	.00	.00	.00
6-150	.29	.34	.43
151-450	.18	.22	.27
451-900	.17	.20	.26
901 +	.14	.17	.21

Price per PUW per Quarter (Thousands)

PUW $s are per 1 CPU SPECmark and provide: 1. CPU SPECmark + memory + SW + labor + HW & SW maintenance + personal property tax.

In addition to the table rate, $8,000 will be charged quarterly for each fifty (50) unit increment interval (combining VAX and Alpha AXP processing environments).

7.4.3 DIGITAL Increment Table - Storage

Storage			
SUWs	Shared $	Dedicated $	Classified $
1-8	1.00	1.10	1.50
9-16	.90	.99	1.35
17-24	.80	.88	1.20
25-40	.70	.77	1.05
41 +	.60	.66	.90

Price Per SUW per Quarter (Thousands)

SUW $s are per 1 Gigabyte and provide: 1 GB disk + portions of back-up device and controller card + labor + HW & SW maintenance + supplies + personal property tax.

7.4.4 DIGITAL Decrement Table - VAX

VAX			
PUWs	Shared $	Dedicated $	Classified $
1-9	.00	.00	.00
10-25	.53	.63	.79
26-50	.35	.42	.53
51-150	.23	.27	.34
151 +	.13	.15	.19

Price Per PUW per Quarter (Thousands)

PUW $s are per 1 CPU SPECmark and provide: 1. CPU SPECmark + memory + SW + labor + HW & SW maintenance + personal property tax.

In addition to the table rate, $4,000 will be credited quarterly for each fifty (50) unit decrement interval (combining VAX and Alpha AXP processing environments).

7.4.5 DIGITAL Decrement Table - Alpha/AXP

Alpha/AXP			
PUWs	Shared $	Dedicated $	Classified $
1-9	.00	.00	.00
10-150	.21	.26	.32
151-450	.11	.13	.17
451-900	.09	.10	.13
901 +	.06	.07	.09

Price per PUW per Quarter (Thousands)

PUW $s are per 1 CPU SPECmark and provide: 1. CPU SPECmark + memory + SW + labor + HW & SW maintenance + personal property tax.

In addition to the table rate, $4,000 will be credited quarterly for each fifty (50) unit decrement interval (combining VAX and Alpha AXP processing environments).

7.4.6 DIGITAL Decrement Table - Storage

Storage			
SUWs	Shared $	Dedicated $	Classified $
1-8	.75	.83	1.13
9-16	.56	.62	.84
17-24	.40	.44	.61
25-40	.30	.33	.44
41 +	.21	.23	.32

Price per SUW per Quarter (Thousands)

SUW $s are per 1 Gigabyte and provide: 1 GB disk + portions of back-up device and controller card + labor + HW & SW maintenance + supplies + personal property tax.

8.0 Process for Determining Usage Price and Quarterly Invoice

8.1 DIGITAL will track utilization of the environment and adjust capacity to insure that the Final Service Level Agreements are met. In the shared environment, DIGITAL will ensure sufficient capacity is available to handle planned and peak needs. In the dedicated environment, sufficient capacity will be maintained to fully satisfy the prevailing Service Level Agreement.

8.2 Changes in Peak Utilization from one quarter to the next may result in an increment/decrement of the total amount owed by GE for Services over the Baseline Price plus any previously accumulated increments/decrements. The sum of the total accumulated increment/decrement amounts over Baseline Price added to Baseline Price become the Adjusted Price Line (APL). The APL can fluctuate from quarter to quarter in correspondence with total Peak Utilization. At no time may the APL drop below the Baseline Price for the current year.

8.3 The following formula will be used to calculate APL:

APL = Baseline Price * + Previous Qtr. Net Change
(current Qtr.)

*If the Baseline Price is incremented the subsequent quarter's increment formula is:
APL (current Qtr.) = Previous Qtr. APL + Previous Qtr. Net Change

8.4 At GE's request, DIGITAL will work with GE during the characterization period and follow-on annual planning reviews toward the establishment of per-site increment/decrement caps.

8.5 Add-Back Increment -- When a new contract year commences, if GE's utilization immediately exceeds the established Baseline, processing and/or storage units will be incremented at the current year's appropriate increment table rate. To determine this "add-back" increment; identify the current PUW and SUW utilization quarterly and subtract the lowest number of PUW's and SUW's reflected in the Baseline plan for that year. The result is multiplied times the appropriate current year's increment table rate. In the event increment occurred in a previous year, that portion of the increment will be priced at the table rate when the increment occurred. There will not be a quarterly invoicing lag for "add-back" increment.

8.6 Quarterly Billing will occur in the following manner:

a. Step 1:

Divide process and storage portion of the current year's Baseline Price by four (4).

b. Step 2:

i. For year's with an increasing baseline -- If increment of a prior year exceeds planned Increase in baseline at the outset of the current year, for those units exceeding the maximum baseline planned units, the prior year's table rates will be applied against the increment and invoiced.

Increment rates at time of incremented utilization will continue to be applied except as noted in Step 3.

ii. For years with a declining baseline -- When increment immediately commences above the planned baseline for a particular year, those units will be billed in the current quarter (no lag) on the basis of current utilization less minimum planned units for that year multiplied times the applicable increment table rate. This increment will continue at the same amount into succeeding quarters for the balance of the contract (decrement can be applied against this increment if it subsequently occurs.

c. Step 3:

When the increment of a prior year is part of the planned increase in VAX/Alpha AXP processing or storage units in the current year (i.e. the increase occurred early), DIGITAL will continue to invoice the prior year's increment in the first quarter of the current year (at prior year's table rates) then absorb the increment as part of the increased baseline units in the current year.

d. Step 4:

For VAX/Alpha AXP units in the proceeding quarter that exceed the maximum number of units committed to in the baseline for the contract year, apply the applicable table rates with the better of the planned or earned rates. This change will be categorized as either shared or dedicated for purposes of using the tables.

e. Step 5:

Once an increment occurs, decrement is permitted down to the baseline level. Apply decrement of VAX/Alpha AXP for those units that fall below the adjusted minimum planned number of units for that year (minimum number in baseline plus incremented units above baseline in prior periods).

f. Step 6:

For "Other Services" divide baseline amount by four (4) and add to subtotal from previous steps. (note: Allocation direction will be provided by DIGITAL to GE management for accurate charge-back).

g. Step 7:

Adjust for changes resulting from the Change Management Process (reference 2.3).

9.0 Technical Consulting - Fixed Man-Day Rates

IM&T Specialist	IM&T Consultant	IM&T Principal
$65/hour	$95/hour	$140/hour

9.1 No committed/forecasted hour usage required.

9.2 No travel and labor charges incurred.

9.3 Annual rate reviews will occur which take into account previous year's usage, travel expenses incurred, and any appropriate "cost-of-living factors".

9.4 During characterization period, pool of hours included in the Baseline Price will be determined. Rate charges will be incurred only after pool is exhausted.

9.5 Pool is not impacted for tasks or meetings directly associated with the completion of day-to-day system management/operations tasks in support of documented Final Service Level Agreements. Tasks not associated with documented Final Service Level Agreements (i.e., project consulting) will impact the pool of hours.

9.6 At quarterly status meetings, DIGITAL will report to GE, in summary fashion, any usage of the pool during that period (including the application group using the pool), the number of pool hours remaining, and, if applicable, any usage of charged technical consulting hours. In this manner, GE will be able to determine at what point consulting hours begin to be charged at the above rate, track the accumulation of charged hours, and introduce any desired restrictions on GE's usage of technical consulting.

9.7 Billing for technical consulting hours will be itemized as a separate line item on each quarterly invoice.

9.8 Prior notification will be given to GE management before utilization of charged technical consulting hours.

10.0 Shared Risk/Reward

Over the life of the contract, many opportunities will surface for further improvements in efficiency leading to cost reduction. Some of these will be identified and implemented by GEAE. Others will be identified and implemented by DIGITAL. The philosophy for risk/reward should be that the greater the contribution (risk) to the effort, the greater the share of the reward. In other words, it is reasonable to assume that no sharing of resulting savings is expected where no sharing of risk and/or expense occurred.

The greatest opportunity for productivity improvement will come when GEAE and DIGITAL combine their talent pools to address opportunities from which both can benefit. When such opportunities are identified by either party, a proposal should be presented for implementation consideration. A fair distribution of the expected savings would be negotiated based upon each party's resource investment toward implementing the identified project.

EXHIBIT C
GE CANCELLATION CHARGES

These are the costs and fees due to DIGITAL in the event of a termination under Section 16. The following costs and fees will be due and owing to DIGITAL immediately upon Termination Date.

a. Termination Fee
   i. GE shall purchase from DIGITAL at fair market value, all remaining Assets and all other Products provided by DIGITAL during the term of this Agreement, under DIGITAL's then current standard terms and conditions GE shall purchase all Products necessary to reasonably sustain it's current utilization level;
   ii. All remaining leased Products shall be assigned to GE for the remainder of the lease term; and
   iii. The following termination fees:

      Year 3 - \$3.7 million
      Year 4 - \$2.7 million

b. Termination Activities

   All Disengagement activities under this Agreement as provided under Section 17 of this Agreement will be charged to GE as provided in such section.

EXHIBIT D
SPECMARK TABLES

SPECmark 89int

The SPECmark 89int rating has been selected as a comparator value for measuring the compute capacity of mid-range computing systems. While an industry standard for such measurements, SPECmark 89int benchmarks have not been performed for all models of systems in the past or currently on the market today. In cases where SPECmark 89int values were not available, values were extrapolated based on benchmarked results from similar systems.

VAX SPECmark 89int Values

SPECmark 89int values for VAX systems were based on benchmarked results from several mid-range class systems. Values for those systems that have not been SPECmark 89int benchmarked were extrapolated based on comparison to other performance ratings.

HP SPECmark 89int Values

SPECmark 89int values for HP were extrapolated based on a ratio derived from SPECmark 92 and 89 values from other HP platforms.

Updating SPECmark 89int Tables

The tables detailing SPECmark 89int values will be updated annually by DIGITAL to reflect new computing systems employed in the delivery of outsourcing services to GEAE. The use of SPECmark 89int as the benchmark standard will continue until a sufficient quantity of computing systems employed in the delivery of outsourcing services no longer have been benchmarked against this standard. At such a time, a replacement comparator will be selected and agreed to by GEAE and DIGITAL.

Tables

The following tables depict the SPECmark ratings for VAX and HP computing systems. MIP ratings for Prime computing systems, and relative Wang rating for Wang computing systems Separate tables are provided for different vendor platforms.

DIGITAL SPECmark 89int Table

Digital Model	SPECmark 89int Value	Digital Model	SPECmark 89int Value
7640AXP	530.00	4000-VLC	12.86
7610AXP	163.00	MV3800	3.20
4610AXP	132.00	MV3600	2.50
3000-500AXP	118.00	MV3400	2.20
6620	65.33	MV3100	3.20
6610	42.10	MVII	0.85
6520	28.00	VS3100	3.20
6510	15.60	VS2000	1.40
6430	21.5	8700	7.00
6420	15.50	8650	7.00
6410	8.20	8600	5.10
6310	3.80	8550	7.00
6230	8.30	8530	4.70
6210	2.90	8200	1.20
4000-500	30.70	11/785	1.50
4000-400	16.00	11/780	1.00
4000-300	9.20	11/750	0.50
4000-200	4.30		
4000-100	24.00		

HP SPECmark Table

HP Model	SPEC 92 Rating	Rating-SPEC Ratio	Extrapolated SPEC 89int
9000-840	50.50	0.52	26.26
3000-960	17.27	0.52	8.98
3000-922LX	14.92	0.52	7.76
1000	None	0.52	1.00**
715	24.20	0.52	12.58
710	49.70	0.52	25.84

** No benchmark data available. Assigned a value of 1.

Prime Tables

Prime Model	Prime MIP Rating
9955II	5.00
9955	5.00
9755	3.50
9655	1.30
6650	28.00
6350	11.80
5370	13.50
5340	5.60
5320	4.30
2350	0.85

Wang Tables

Wang Model	Relative Wang Rating
VS8480	30.00
VS8360	24.00
S7310	16.00
VS5000	4.00
VS300	8.00
VS100A	6.00
VS100	4.00
VS85	4.00
VS65	2.40
VS6E	2.40
PC382	2.00

EXHIBIT E

BASELINE UTILIZATION COMMITMENT

BASELINE UTILIZATION COMMITMENT

			1993	1994	1995	1996	1997
PRIME	PROCESSING (PUWs)	BASE	319	304	230	66	0
		DEDICATED	-15	-74	-119	-66	0
		SHARED	0	0	-45	0	0
		NET	304	230	66	0	0
	STORAGE (SUWs)	BASE	141	141	93	38	0
		DEDICATED	0	-48	-55	-37	0
		SHARED	0	0	0	0	0
		NET	141	93	38	0	0
WANG	PROCESSING (PUWs)	BASE	184	168	157	85	55
		DEDICATED	-16	-2	0	-30	0
		SHARED	0	-8	-72	0	0
		NET	168	157	85	55	55
	STORAGE (SUWs)	BASE	30	24	22	12	0
		DEDICATED	-6	0	0	-12	0
		SHARED	0	-2	-10	0	0
		NET	24	22	12	0	0
VAX	PROCESSING (PUWs)	BASE	855	1074	1205	1041	977
		DEDICATED	144	64	-165	-74	-26
		SHARED	75	67	2	10	0
		NET	1074	1205	1041	977	951
	STORAGE (SUWs)	BASE	541	554	551	562	542
		DEDICATED	1	-8	-69	-35	3
		SHARED	12	5	80	15	0
		NET	554	551	562	542	545

INTRODUCTION OF ALPHA/AXP TECHNOLOGY

DECLARATIONS

Any Alpha/AXP technology introduction shall be subject to Section 6.3 of the Agreement, and all requests shall be handled through the Change Management Process.

ACCELERATED RETIREMENT OR REDUCTION OF PRIME AND WANG PROCESSING

In the event GE desires and is able to eliminate Prime and/or Wang processing at an earlier time than currently stated in the Baseline, GE would be offered by DIGITAL some savings from the Baseline Price. This savings would be comprised of items solely determined by DIGITAL and could include, but is not limited to;

a. Any savings as a result of canceled maintenance contracts or coverage.

b. Any savings as a result of elimination of Human Resource support personnel that are dedicated to the Prime and/or Wang processing environments.

c. Any net savings as a result of lease cancellations.

In the event GE desires and is able to significantly reduce the requirements of Wang and/or Prime processing that currently is stated in the Baseline, GE may be offered savings from Baseline Price dependent on the timing and extent of reductions. Any savings offered to GE would be deterimined as stated above by DIGITAL.

The above process will be initiated by a Change Order. This does not give GE the right to review or have access to any DIGITAL cost records regarding the Program.

EXHIBIT F
SECURITY CLASSIFICATION

III. SCHEDULES

SCHEDULE A
GE ASSETS

GE ASSETS TO BE PURCHASED BY DIGITAL

See attached report: "In scope Component No. with Vendor/RBV", dated 05/21/93

ASSUMPTIONS

a. All information is current, complete and accurate

b. Asset transfer to be complete by December 21, 1993

c. DIGITAL will be able to procure "in scope" and "not in service" assets (Prime, Wang)

DECLARATIONS

a. DIGITAL will procure "in scope" and "in service" assets

b. It will be up to DIGITAL discretion which Prime and Wang "not in service" assets will be procured

c. If DIGITAL is unable to procure Prime and Wang assets due to licensing constraints, DIGITAL will manage the asset and the associated software

d. Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery.

	DIGITAL	GEAE
INITIALS:	________	________
DATE:	________	________

SCHEDULE B

DIGITAL SOFTWARE

DIGITAL SOFTWARE VALIDLY LICENSED BY GE AS OF THE COMMENCEMENT DATE. (INCLUDES VERSION, SERIAL NUMBERS, ETC.)

See Attached report for preliminary listing.

ASSUMPTIONS

a. All software information is current, complete and accurate

b. All required software is at current version (As required by functionality, application, maintenance, etc.)

c. Software has valid software license

d. Software is compliant to software license and required maintenance agreement (As required by functionality, application, maintenance, etc.)

DECLARATIONS

a. DIGITAL's responsibilities remain as stated in the current maintenance agreement and/or license agreement unless otherwise changed by the change process

b. Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery

c. Final listing is to be incorporated by January 1994

	DIGITAL	GEAE
INITIALS:	________	________
DATE:	________	________

SCHEDULE C
THIRD PARTY SOFTWARE

THIRD PARTY SOFTWARE LICENSED VALIDLY BY GE TO BE ASSIGNED OR TRANSFERRED TO DIGITAL (INCLUDES VERSION, SERIAL NUMBERS, ETC.)

See attached report for preliminary listing.

ASSUMPTIONS (ASSIGNMENT)

a. Third parties that agree with assigning software and maintenance will execute assignment
b. Terms/conditions of current Agreements will be agreeable to DIGITAL
c. Terms of assignment will be agreeable to the parties
d. Software assignments will be complete by December 21, 1993

ASSUMPTIONS (SOFTWARE)

a. All software information is current, complete and accurate
b. All required software is at current version (As required by functionality, application, maintenance, etc.)
c. Software has valid software license
d. Software is compliant to software license and required maintenance agreement (As required by functionality, application, maintenance, etc.)

DECLARATIONS

- DIGITAL's responsibilities remain as stated in the current maintenance agreement and/or license agreement unless otherwise changed by the change process
- Contract Agreements between GEAE and Vendors will be made available to DIGITAL
- DIGITAL will act in the capacity of a "Limited Agent" for "in scope" vendors that have not been assigned by December 31, 1993
- Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery
- Final listing of Vendors and Applications will be incorporated by January 1994

	DIGITAL	GEAE
INITIALS:	______________	______________
DATE:	______________	______________

SCHEDULE D

THIRD PARTY SOFTWARE

THIRD PARTY SOFTWARE VALIDLY LICENSED BY GE THAT DIGITAL WILL ACT AS A LIMITED AGENT FOR PURPOSES OF MAINTENANCE AND SERVICE.

Final listing of Vendors and Applications will be incorporated into the contract in January 1994.

ASSUMPTIONS

a. Information, materials and resources are available for DIGITAL to act as Agent

DECLARATIONS

a. DIGITAL will act as a "Limited Agent" for those "in scope" vendors for which:
   i. the Vendor/GEAE Agreements are made available to DIGITAL;
   ii. assignment is not possible by December 31, 1993

b. The effective date for DIGITAL to assume the role of an Agent shall be the date of the notification letter to the third party

	DIGITAL	GEAE
INITIALS:	________	________
DATE:	________	________

SCHEDULE E

GE APPLICATION SOFTWARE

APPLICATION SOFTWARE FOR WHICH GE HAS FINANCIAL, ADMINISTRATIVE, MAINTENANCE OR ENHANCEMENT RESPONSIBILITY. DIGITAL WILL HAVE THE RIGHT TO EXECUTE THIS SOFTWARE TO FULFILL ITS RESPONSIBILITIES.

ASSUMPTIONS

a. All information is current, complete and accurate

DECLARATIONS

a. Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery

b. Final listing of Applications will be incorporated by January 1994

	DIGITAL	**GEAE**
INITIALS:	________	________
DATE:	________	________

SCHEDULE F
LEASE

LIST OF ASSETS THAT DIGITAL WILL ASSUME LEASE PAYMENTS FOR ON BEHALF OF GE.

Hardcopy of "Lease items with Lease End Date After 01-Sep-92 from CMAT Oracle Database" report, dated 20-May-93, provided, as described on the attached Schedule F listing.

ASSUMPTIONS

a. All lease information is current, complete and accurate

b. All lease payments will be paid by GEAE until assignment to DIGITAL

c. All leases shall be assumed

DECLARATIONS

a. GEAE will be responsbile to return all products (to the appropriate funder) that have "Lease End" dates that are prior to the assignment to DIGITAL date

b. GEAE will provide DIGITAL with a list of leases to be assumed and associated documentation

c. Leases not available to DIGITAL will be treated as "out of scope"

d. The effective date of any assignment shall have the effective date of the assignment agreement (not the date it is incorporated into this Agreement)

e. DIGITAL will be a Limited Agent to "In scope" vendors that have not been assigned by December 31, 1993

f. Product information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery

g. DIGITAL will not be responsible for penalties on leases that are caused by GEAE (i.e. unable to locate product items)

	DIGITAL	GEAE
INITIALS:	________	________
DATE:	________	________

SCHEDULE G

THIRD PARTY HARDWARE MAINTENANCE

THIRD PARTY HARDWARE MAINTENANCE AGREEMENTS TO BE ASSIGNED OR TRANSFERRED TO DIGITAL

See attached report for preliminary listing of Vendors.

ASSUMPTIONS

a. Terms/conditions of current Agreements will be agreeable to DIGITAL.

b. Terms of assignment will be agreeable to the parties

c. Hardware maintenance assignments will be complete by December 31, 1993

DECLARATIONS

a. DIGITAL's responsibilities remain as stated in the current maintenance Agreement unless otherwise changed by the change process or the one time reconciliation. Resulting changes will be reflected in the GEAE invoice.

b. Agreements between GEAE and vendors will be made available to DIGITAL

c. The effective date of any assignment shall be the effective date of the assignment agreement (not the date it is incorporated into this agreement)

d. DIGITAL will be a "Limited Agent" to "in scope" Vendors that have not been assigned by December 31, 1993

e. Information may be added, deleted or changed as a result of physical inventory and/or subsequent discovery

f. Final listing of Vendors will be incorporated by January 1994

	DIGITAL	GEAE
INITIALS:	________	________
DATE:	________	________

THIRD PARTY HARDWARE MAINTENANCE AGREEMENTS TO BE ASSIGNED/TRANSFERRED

VENDOR

Convex

Calcomp

HP

IBM

Kodak

NCR

Prime

Tandem

Wang

Xerox

SCHEDULE H
THIRD PARTY HARDWARE MAINTENANCE AGREEMENTS

THIRD PARTY HARDWARE MAINTENANCE AGREEMENTS FOR WHICH DIGITAL WILL ACT AS A LIMITED AGENT FOR PURPOSES OF MANAGING SERVICE

Listing to be incorporated by January 1994.

ASSUMPTIONS

a. Information, materials and resources are available for DIGITAL to act as Agent

DECLARATIONS

a. DIGITAL will act as a Agent for those "in scope" vendors for which:
   i. assignment is not possible by December 31, 1993
b. The effective date for DIGITAL to assume the role of an Agent shall be the date of the notification letter to the third party

	DIGITAL	**GEAE**
INITIALS:	________	________
DATE:	________	________

SCHEDULE I

MISCELLANEOUS SERVICES

MISCELLANEOUS SERVICES ARE GEAE CONTRACTUAL LIABILITIES THAT ARE MANAGED AND PAID BY DIGITAL AS GE'S AGENT

See attached report for preliminary listing.

ASSUMPTIONS

a. Information, materials and resources are available for DIGITAL to act as Agent.

DECLARATIONS

a. DIGITAL will act as Agent for those "in scope" Vendors for which:
   i. the Vendor/GEAE Agreement is made available to DIGITAL; and
   ii. assignment is not possible by December 31, 1993

b. The effective date for DIGITAL to assume the role of an Agent shall be the date of the notification letter to the third party

c. The final listing of Vendors will be incorporated into the contract in January 1994

d. DIGITAL responsibilities remain as stated in the current agreement unless otherwise changed via the change process or the one time reconciliation. Resulting changes will be reflected in the GEAE invoice.

e. DIGITAL will aggressively pursue cost cutting/productivity gain opportunities and resulting changes will be reflected in the GEAE invoice

	DIGITAL	GEAE
INITIALS:	__________	__________
DATE:	__________	__________

OUTSOURCE SERVICE PROVIDERS FOR WHICH DIGITAL WILL ACT AS GE'S LIMITED AGENT

VENDOR

1st Image

Advanced Automation

Anacomp

BIS

Jala

Priority

Quality Associates

Reynolds & Reynolds

SCHEDULE J

GEAE THIRD PARTY BILLING OBLIGATIONS

ASSUMPTIONS

Vendor listing is complete and accurate.

DECLARATIONS

a. complete final listing will be incorporated by January '94

b. Information may be added, deleted or changed as a result of reconciliation and/or subsequent discovery

	DIGITAL	GEAE
INITIALS:	__________	__________
DATE:	__________	__________

THIRD PARTY BILLINGS

VENDOR		ANNUAL AMOUNT	EXP. DATE
Prime		679,000	12/31/93
	(T&M)	100,000	
		$ 797,000	

HW/SW MAINTENANCE

VENDOR		ANNUAL AMOUNT	EXP. DATE
Wang		$ 397,194	12/31/93
	(T&M)	100,000	
		$ 497,194	
Third Party SW Maint. (see below)		$ 538,659	
Xerox		$ 534,240	
Tandem		17,552	9/30/93
Convex		48,000	
Ingres		300,000	10/31/93
Total Maint.			

**(Applied Geometry, ATM Computing, Boston SW Works, Boston Systems Office/TAshing, BSSI, CC:Mail, Computer Associates, Comptional Mechanics, Compu-tronics, CPS, Database, DEmax, G&O, Bray Matter, Henco, Information Builders, LBM, Mac Soft, Masstor System, Minitech vs Holding Co., Nasa/Cosmic, OTG, Oracle, Process SW, Pulsar System, Softool Corp., Software Partners, Syncort, Telesoft, UIS, USSW, Versacad, Wollogong)

********************MAINTENANCE TOTALS INCLUDE ALL SITES**********************

OUTSOURCE SERVICES

OUTSOURCED SERVICES (associated to Output Services)

	All sites	Cincinnati	Lynn
Forms Management (Reynolds & Reynolds)	$1,100,000		
- Typesetting (Jala)	30,000		
Distribution Services (Priority - Cincinnati only)		$125,000	
- Lynn Employees do their own distribution			
Off-site Storage (BIS)			
- Cincinnati		20,000	
- Lynn			12,000
Data Entry Services			
- Cinti (Quality Associates)		10,000	
- Lynn (Advanced Automation)			100,000
Microfiche			
- Cincinnati (Anacomp)		500,000	
- Lynn (1st Image)			25,000
Supplies (paper, toner, etc.)			
- Cincinnati		209,000	
- Lynn			145,000
Equipment (Maintenance)			
- Bursters- Expires 12/31/93	15,000	7,500	7,500
- Decolators - Expires 12/31/93	15,000	7,500	7,500
- Baggers	8,000	4,000	4,000
- IBM (card readers/punchers)			
* Cinti - Expires 10/93		72,723	
* Lynn - Expires 8/93			49,212
- Calcomp Plotters		20,100	20,100

SCHEDULE K
NETWORK DEMARCATION POINTS

ASSUMPTIONS

a. GEAE will acquire two (2) T1 lines to each DIGITAL CMC location

b. There will be equipment needed to order with the LINES that interface to the CISCO routers. GEAE will provide this equipment.

c. The interfaces to the GEAE FDDI network can be single point or multi point. GEAE will provide proper interfaces

d. There will be two (2) connections to the fiber network at each GEAE site.

RESPONSIBILITY DIVISION POINTS

a. At the DIGITAL CMC's, the boundaries are defined to be the port on the DE-Chub 90 at which the GEAE routers connect to the network at the DIGITAL CMC facility in Cincinnati and at the DIGITAL CMC facility in Andover, Mass.

b. For hardware management and support, the boundary will be at the CPU cabinet interface for all platforms, except for cabling to in-scope equipment in the same area such as printers, consoles, etc. There may also be some arrangements made for mutual convenience where the interface is located elsewhere. These will be documented as agreed upon.

c. For software management, the installation and support of network software on in-scope devices will be the outsourcer's responsibility. Global services such as network planning, software evaluation, and network address and name registration will remain the responsibility of GEAE.

d. The boundary for hardware ownership will be the same as the hardware management boundary, except for equipment on a lease schedule transferred to DIGITAL. It will be GE's responsibility to locate the equipment, make it available, and make replacements as necessary. it will be DIGITAL's responsibility to return the equipment and provide technical consulting on replacement options if requested be GEAE.

NETWORK ROUTER CONFIGURATIONS

ASG+/4	MULTI-PROTOCOL ROUTER
CSC-MET	FLASH MEMORY
CSC-CC-TL2	FDDI CONTROLLER
CSC-C2FCIT	FDDI INTERFACE
APP-LMN	FDDI PHYSICAL INTERFACE OPTICAL
CSC-IT	WIDE AREA INTERFACE
APP-JX1	DSU V.35 CABLE
CAB-VTM	
CSC-1E	ETHERNET INTERFACE
FR-BA-9.1.X	LAT BRIDGING

T1 CONFIGURATION

a. Full conditioning ESF type

b. GEAE Evendale (513 area code, 243 exchange) to DIGITAL CYO (513 area code, 984 exchange)

c. GEAE Lynn (617 area code, 594 exchange) to DIGITAL DAS (508 area code, 474 exchange)

	DIGITAL	GEAE
INITIALS:	____________	____________
DATE:	____________	____________

SCHEDULE L
SYSTEM CATEGORIZATION

See Attached Report

	DIGITAL	GEAE
INITIALS:	____________________	____________________
DATE:	____________________	____________________

to Thai Allen

GE Capital

F-GE

Gary C. Wendt
President

260 Long Ridge Road, Stamford, CT 06902
203 357-4460

May 10, 1993

Mr. Russ Gillotti
V.P. U.S. Business
Digital
Merrimack, New Hampshire

Via Facsimile

Thanks for letting GE Capital represent our case on DEC Finance. Our people are scheduled to be in Massachusetts tomorrow.

I understand that one of the "issues" is: Why would DEC people want to work for GE Capital? In case you didn't see - this reprint from Business Week should answer that question.

Very truly yours,

Gary C. Wendt /ld

Gary C. Wendt

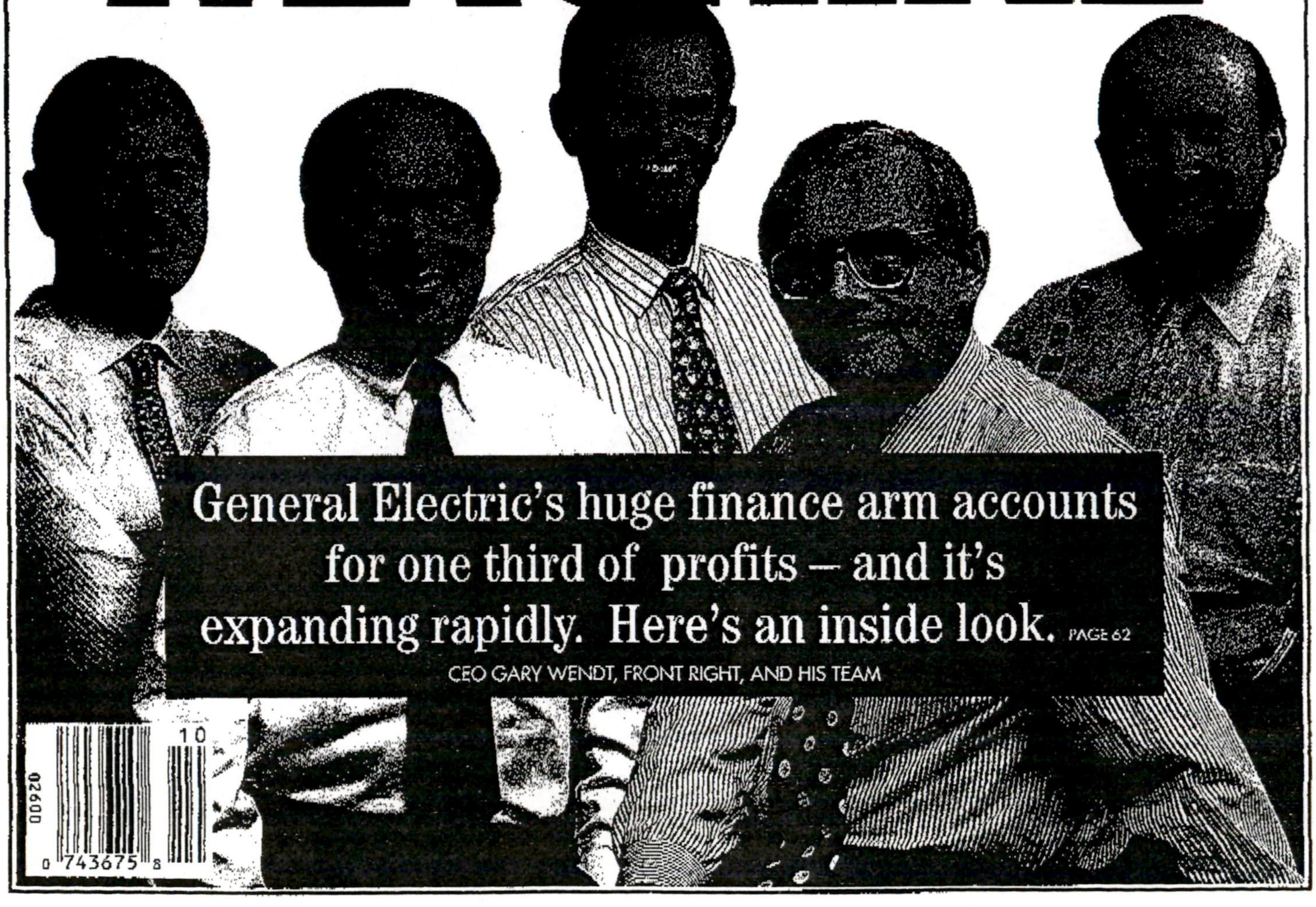
P.S. You have my personal guarantee that we will provide service across business units seamlessly.

[redacted]

BusinessWeek

MARCH 8, 1993 A McGRAW-HILL PUBLICATION $2.75

GE's MONEY MACHINE

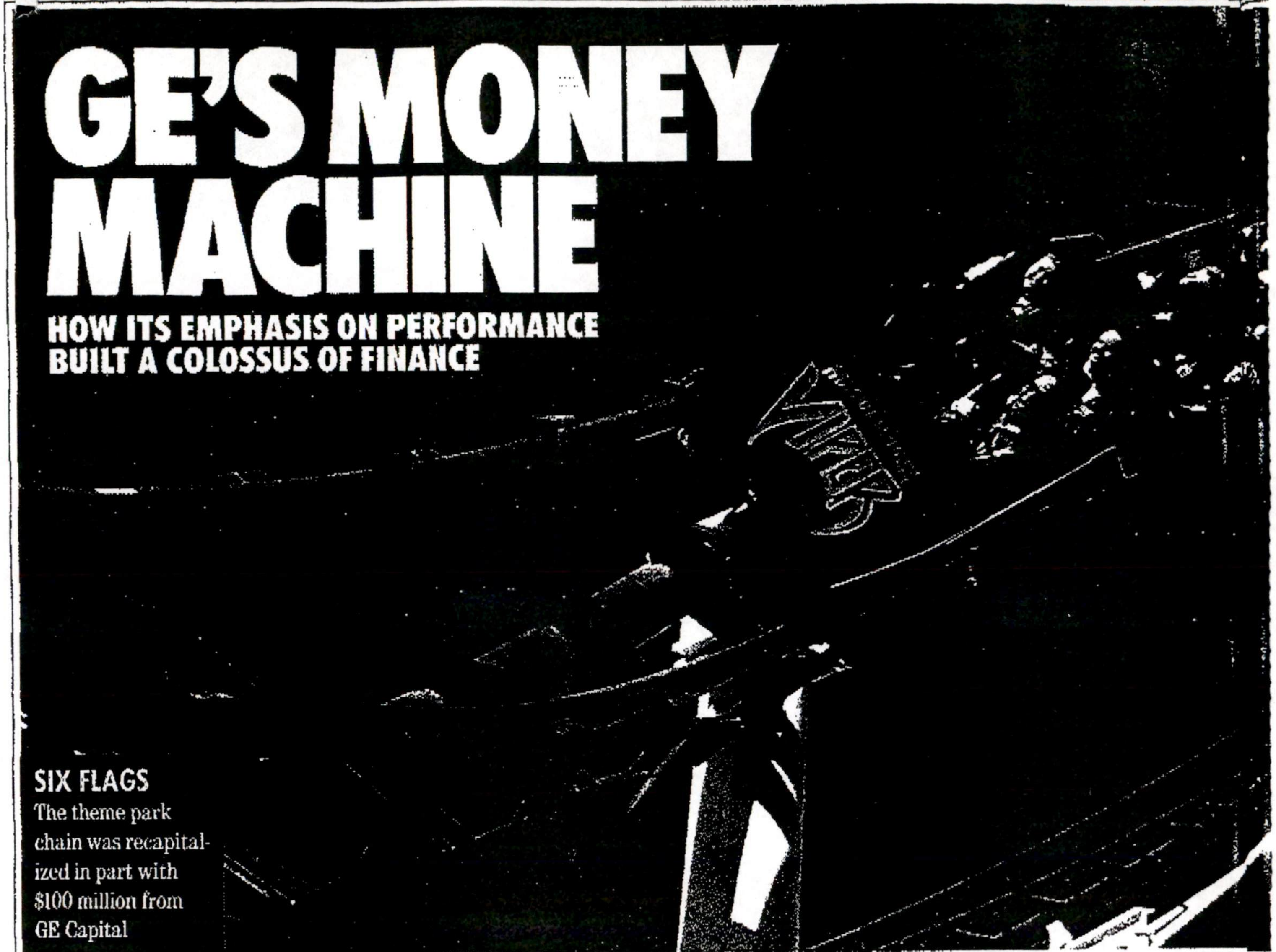


General Electric's huge finance arm accounts for one third of profits – and it's expanding rapidly. Here's an inside look. PAGE 62

CEO GARY WENDT, FRONT RIGHT, AND HIS TEAM

GE'S MONEY MACHINE

HOW ITS EMPHASIS ON PERFORMANCE BUILT A COLOSSUS OF FINANCE



SIX FLAGS
The theme park chain was recapitalized in part with $100 million from GE Capital

PHOTOGRAPH BY BILL NATION/SYGMA

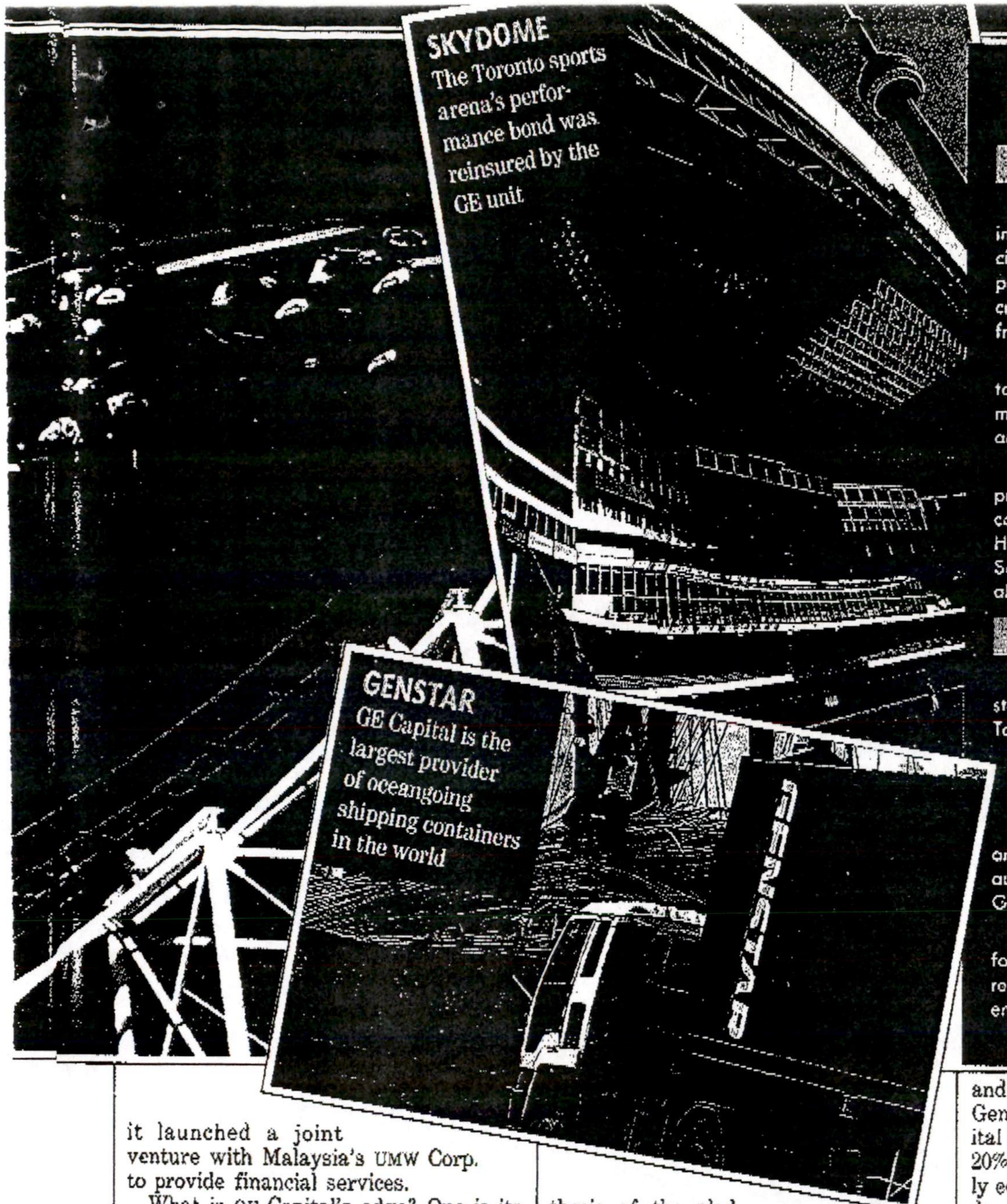
Sears. ITT. Xerox. Westinghouse. All proud names of Corporate America that rushed eagerly into the promised land of financial services in the 1980s. Lured by tantalizing returns, they amassed large positions in real estate lending, consumer finance, and corporate buyouts. Now, battered by severe losses, those adventurers are retreating, anxious to limit exposures and get back to their basic businesses.

Except for General Electric Co. The maker of jet engines, light bulbs, and home appliances is enjoying incredible benefits from its finance arm. During the recent recession, when GE's more cyclical businesses stalled, GE Capital Services Inc., formerly GE Financial Services, was a veritable money machine. In five years, the unit's assets have more than doubled, to $155 billion. GE Capital is now the engine driving its parent's profits: Its share of GE's earnings surged from one-fifth to one-third. Unlike its hapless competitors, GE Capital handily overcame losses in real estate and leveraged buyouts, posting record earnings of $1.5 billion in 1992.

The global scope of GE Capital today is a far cry from its humble beginnings in the Depression, when GE's credit operation got its start financing refrigerators. Its portfolio of nearly two dozen discrete businesses extends to almost every corner of the world of finance. GE Capital provided a $100 million loan for the recapitalization of the Six Flags amusement park chain and reinsured the performance bond for Toronto's Skydome. It has issued 65 million credit cards to customers of retailers, including R. H. Macy & Co. and Montgomery Ward & Co. It owns and operates the nation's second-largest reinsurer, Employers Reinsurance Corp. Its auto-leasing fleet, No. 1 in the U. S., is growing at a 15% annual clip. It is the world's largest lessor of oceangoing shipping containers and the largest private mortgage insurer. It has been one of the most aggressive purchasers of troubled property seized from banks and thrifts. And it owns a large Wall Street brokerage, Kidder, Peabody & Co.

While other companies' financial arms are pulling back, GE Capital is expanding rapidly. It snapped up $5 billion in new assets last year alone. And it's off to a fast start in 1993. In January, it bought the $3.2 billion annuity and mutual fund business of CNA Corp. from Weyerhaeuser Co. for $525 million as a way to expand into peddling investments to aging baby boomers. Its bargain hunters have been scrutinizing the books at troubled Westinghouse Credit Corp. (page 68) and eyeing the $2.25 billion real estate portfolio of First Chicago Corp.

NUTS AND BOLTS. GE Capital is pushing ahead globally, too. It bought Harrods' credit-card portfolio and Barclays Bank's auto-loan business last year. It picked up Avis Lease's $1 billion European autofleet business and a 3% stake in Spain's Banco Bilbao Vizcaya. And in December,



SKYDOME
The Toronto sports arena's performance bond was reinsured by the GE unit

GENSTAR
GE Capital is the largest provider of oceangoing shipping containers in the world

GE CAPITAL SERVICES' GROWING REACH

EXPANDING AT HOME...

Aggressively buying up sizable leasing portfolios of financial institutions and manufacturers. Recent purchases: Eastman Kodak's $1 billion credit business and $500 million in leases from Chrysler Credit

Major buyer of property taken over by feds from failed thrifts. Also managing property and loans for insurers and industrial companies

Leading issuer of private-label cards, with 65 million accounts for retailers such as R.H. Macy and Home Depot. Launched own bank card in September. Purchased annuity and mutual-fund business from CNA in January

...AS WELL AS ABROAD

Bought minor stake in Spain's Banco Bilbao Vizcaya. Took 49% stake in Malaysia's UMW to develop financial services there. Employers Reinsurance unit insured a performance bond for Toronto Skydome construction

Acquired Avis' $1 billion European fleet-management business. Bought auto lease business from Mercantile Group, a unit of Britain's Barclays Bank

Major lessor of airplanes to foreign carriers. Helped Kuwait Airways rebuild its fleet after Persian Gulf War. Is entering the mainland China market

DATA: BUSINESS WEEK

it launched a joint venture with Malaysia's UMW Corp. to provide financial services.

What is GE Capital's edge? One is its association with GE, which allows it to borrow money cheaply, typically around 6% in 1992, thanks to GE's AAA credit rating. But most important is a culture that successfully blends an entrepreneurial spirit with the hard-driving and intensely competitive focus of its parent. That translates into an obsession with performance, an ability to shift strategies rapidly to take advantage of change, an appetite for risk-taking and dealmaking, and an engineer's yen to run operations, not just write a check to finance them. GE Capital has a manufacturing mind-set that views money as a raw material to be machined into a service that can be marked up and sold for a profit.

GE Capital's culture, indeed, is the antithesis of the plodding, risk-averse attitude that pervades most banks. GE Capital, for instance, is eager to seize a deadbeat's assets and run them—better. "We don't want to be commodity providers of money," says Chief Executive Gary C. Wendt. "I just think we have a different attitude because we're part of an operating company."

HIGH EXPECTATIONS. It is Wendt, 50, a professionally trained engineer, who sets the style at GE Capital's utilitarian headquarters in Stamford, Conn. He displays a thinly disguised contempt for his banking competitors. "We can't earn the same kinds of returns that banks do, otherwise GE won't keep us around," says Wendt, a devotee of the tough management style of his boss, GE Chairman and CEO John F. Welch Jr. As one of General Electric's 13 businesses, GE Capital is expected to rack up an average 20% return on equity, a target that vastly eclipses the banks' average of 13%. To do so, GE Capital relies on its diverse operations. The company makes money in a variety of ways: fees from leasing activities, premiums from insurance operations, interest income from lending, and investment returns from real estate deals.

Wendt sets a high bar for his managers to reach, and they, in turn, demand the same of their subordinates. "Life is staying one step ahead of the posse—that's what I tell my managers," says Edward D. Stewart, one of three executive vice-presidents who report to Wendt. And what of those who can't cut it in such a supercharged atmosphere? Stewart's half-joking response is the baseball umpire's jerked thumb: Yer out.

How long can GE's money machine keep rolling? Some observers have pre-

[TOP] PHOTOGRAPH BY FOCUS ON SPORTS

truck mechanics answer phone calls 24 hours a day from drivers of vehicles whose companies have leased vehicles from GE Capital. At the flick of a switch, a phone clerk can call up a computerized history of the vehicle and help diagnose a potential problem. With the information, the clerk can steer the driver to the nearest garage that can handle the defect. A GE Capital employee will even negotiate the lowest possible repair price.

In another part of the building, a handful of GE Capital employees will arrange to get the tags for any of its customers' vehicles, no matter what the state. Such services, for which GE Capital customers pay fees, are all part of a value-added approach to asset financing. "For every $1 in fee that they pay, we estimate we can save them $4 to $4.50," says auto-fleet chief Teresa M. LeGrand. Added features like tag delivery and auto service diagnosis helped the auto fleet unit, which barely broke even in 1987, turn an $80 million profit last year.

This may seem far removed from the glorified world of high finance. But it's all just part of a restless corporate culture that seems to thrive on continually shaking itself up. "Change," says CEO Wendt. "You make it an exciting thing rather than a threatening thing." So far, at least, the excitement at GE Capital has kept the potential threats at bay.

By Tim Smart in Stamford, Conn.

A MOVER AND SHAKER, GE STYLE

Gary C. Wendt is perhaps as close to the embodiment of the General Electric Co. ethic as one can get. A tightly wound man who keeps his impatience just below the surface, he is extremely demanding. Wendt, a University of Wisconsin engineering graduate, closely monitors operations and is forever quizzing subordinates about their progress—with the assurance of one who already knows a lot of the answers. Says Edward D. Stewart, one of three executive vice-presidents who report to Wendt: "He's obviously a constant pusher."

That's not to say that the head of GE Capital is a table-pounding autocrat. He is an adherent of another aspect of the GE culture: teamwork. He spends a lot of time listening to staffers at GE Capital's 22 business units. Wendt is constantly prodding his people to come up with new ideas and better ways of implementing the old ones. "We talk about growth a lot, we stress it, and we expect it," says the 50-year-old Wendt, whose soft, round face belies his tough manner.

CORPORATE CONSCIENCE. Wendt demands that his executives back up their notions with solid numbers. This approach was key to GE Capital's staying clear of a lot of the more speculative 1980s deals that brought rivals low. As adviser to a Florida-based real estate investment trust in the 1970s, Wendt weathered a sharp collapse in that state's real estate market. Joining GE Capital's real estate operation in 1975, he insisted on lending only to builders with established cash-flow track records, not construction projects grounded on hope. Wendt, who also oversaw GE Capital's commercial finance dealings, became its No. 2 executive in 1984, and then its CEO in 1986.

Friends and colleagues say Wendt has a sharp sense of humor that he uses to show he's on top of the situation. Stamford (Conn.) *Advocate* publisher William Rowe recalls a time when the two were driving back in a GE limo from a trip to Hartford. Wendt was on the phone, discussing the details of a major deal involving hundreds of millions of dollars, and a fascinated Rowe was doing his best not to appear too interested. When the call was over, Wendt turned to Rowe and asked: "Do you want a piece of it?"

Although hardly one to spout idealistic rhetoric, Wendt has an active *pro bono* life. The father of two grown daughters, he puts a heavy premium on helping needy children, particularly through education. As a trustee of the Stamford Boys & Girls Club, which caters to low-income kids, he is involved in the usual big-time executive's chore of raising funds for bricks and mortar. But it's the children's mental development that clearly engages Wendt the most. "He's forever sending us books for the kids," says Executive Director Abraham Reyes. "He even donated a magnetic globe." Wendt also often stops by the club's computer lab, where children learn basic computing skills. Much of the teaching there is done by GE Capital's volunteers.

Wendt at the Stamford Boys & Girls Club: "He's forever sending us books"

Although a golfer like many Connecticut executives, Wendt favors outdoor activities that are new, challenging, and require heaps of teamwork—sort of like life at GE Capital. That's one reason he's a trustee of Outward Bound USA. Two years ago, he went on an arduous white-water rafting trip down Colorado's Green River, where he also climbed up and rappelled down cliff faces. Last year, Wendt and his wife went on an Outward Bound trek to Nepal, where they rode elephants and slept in jungle camps.

Wendt's globe-trotting suggests a certain restlessness. Whether he's checking up on GE Capital's far-flung operations, scouting business opportunities, or hobnobbing with foreign financial leaders, the man is always on the go. When he's abroad and weather permits, he makes sure to head for the links, which he says allows him to sample the local business mindset. And even when he's home relaxing, there's little peace and quiet. Radios and TVs are often tuned to sports. Wendt is an avid fan of the Chicago Cubs—which is about the only subpar performer the taskmaster of GE Capital will tolerate.

By Tim Smart in Stamford, Conn.

PHOTOGRAPHS BY JOHN S. ABBOTT

PHONE MEMO

TO R

DATE

TIME AM PM

FROM Gary Wendt -

OF

AREA CODE

NO.

EXT.

MESSAGE

calling between 2-2:30

(if he's still awake)

SIGNED

PHONED ☐ CALL BACK ☐ RETURNED CALL ☐ WANTS TO SEE YOU ☐ WILL CALL AGAIN ☐ WAS IN ☐ **URGENT** ☐

file
9B

INTEROFFICE MEMORANDUM

Doc. No: 056179
Date: 19-May-1993 10:15am DST
From: ANTHONY F PELLEGRINI
PELLEGRINI.ANTHONY.F AT A1 at
Dept: GE/MMC ACCOUNT GROUP
Tel No: 297-9348

TO: RUSS GULLOTTI @MKO

Subject: DISCUSSION WITH GARY WENDT:

Not scheduled - waiting for a call back from his office when he returns from Turkey

be sure to schedule this soon

a- RFC with Gary Wendt

(1) Doing well at GE - poorly at GE Capital

(2) Lost PC LAN
Lost PC Bid to Apple

(3) they need to Downsize from IBM mainframes and Amdahl

- that's what we are

- give us a chance as I did to them

(1) Congrats

(2) very responsive after your push - could have saved time -

(3) 6/C5 very important to me.

(4) Do lots of Bus @ GE - very little with you.

- give us a shot at Downsizing from Amdahl/IBM

(5) ~~[illegible]~~

(1) need firm date

(2) Good response

Bob Gumm

recently: Lost PC Lan and PC Bid

Russ:

Our performance at GE Capital is poor:

FY'92 NOR

GE Computer Services*	$2.8M
GE Capital Services	3.6M
Total	$6.4M

*GE Computer Services is part of GE Capital Services.

FY'93 NOR is expected to be significantly off from FY'92 -- down to approximately $3M.

Our performance has been less than stellar, but I believe we are past most of our problem areas.

Our initial base within GECS is small and includes the following:

1. VAX cluster at Kidder Peabody supporting analytics for their Fixed Income Department.

2. Through the acquisition of Avis Fleet Leasing in Europe, GE Capital Fleet inherited a large network of VAXes installed in multiple European countries. We have earned some business in this European operation -- mostly services.

3. In 1991 we penetrated GE Capital Mortgage with a real estate evaluation system. Due to some changing business goals relative to this system, there has been no further growth on this dual 6410 cluster.

4. In 1992 we penetrated GE Capital Treasury with a commercial paper trading and cash management application. This is one of the most visible and important systems from any vendor installed at GECS. Approximately, $6 billion of commercial paper is traded on a daily basis utilizing our workstations in NYC and a dual 6310 cluster in Alpharetta, GA with a mirror back up dual cluster in Stamford, CT. We have expended a considerable amount of time and resources in FY'93 helping GE manage some performance issues between our own RTR package and the application written and supported by a third party.

5. In the past year we have put effort and resources on several opportunities. At their Commercial Equipment Finance business we pursued a 750 unit PC acquisition that was won by Apple. At the Vendor Equipment Leasing business (same group that is pursuing our leasing business) we very actively pursued an 860 unit PC opportunity. We lost to IBM as our extended warranty was excessively high (by $1.5 million) and they preferred dealing with the same hardware vendor providing the Operating System (OS/2 Rel 2.0). We also spent a considerable amount of effort with their Controller's office in pursuit of a downsizing and client/server opportunity. We involved our financial organization as well as FABS marketing in some extensive "best practices sharing" sessions. While they have made no downsizing commitment as yet, they saw no reason to go forward with our proposal for services in this area.

6. It should also be noted that we pursued and won a LAN services support contract from their Commercial Real Estate business in early 1992. Unfortunately, our marketing rhetoric was ahead of our implementation capabilities around installing and supporting Novell LANs. After successfully installing the first of 45 LANs in CT we failed in our second location (Atlanta) and we lost the contract.

I would characterize GECS' IT philosophy as largely IBM (Amdahl) mainframe oriented with large quantities of dumb terminals or PCs accessing the host. While the senior management of GE seems to be embracing a downsizing client/server approach, GECS has been moving very slow in this direction. Their past history with IBM and their slow movement to Client/Server has made our task very difficult. Even our efforts to go after the commodity PC business have been met with considerable resistance.

We will be meeting with their new CIO (Bob Grimm) in June. Our goal is to seek a joint planning session between our companies to explore where we can help them achieve objectives.

Russ, your conversation with Wendt should request that he ensure we are getting access to downsizing opportunities and that GECS consider us as a full service company, not just a hardware vendor.Also,that they give us the same type of best and final that we gave them!

Regards,

Tony

GE'S MONEY MACHINE

HOW ITS EMPHASIS ON PERFORMANCE BUILT A COLOSSUS OF FINANCE

SIX FLAGS
The theme park chain was recapitalized in part with $100 million from GE Capital

PHOTOGRAPH BY BILL NATION/SYGMA

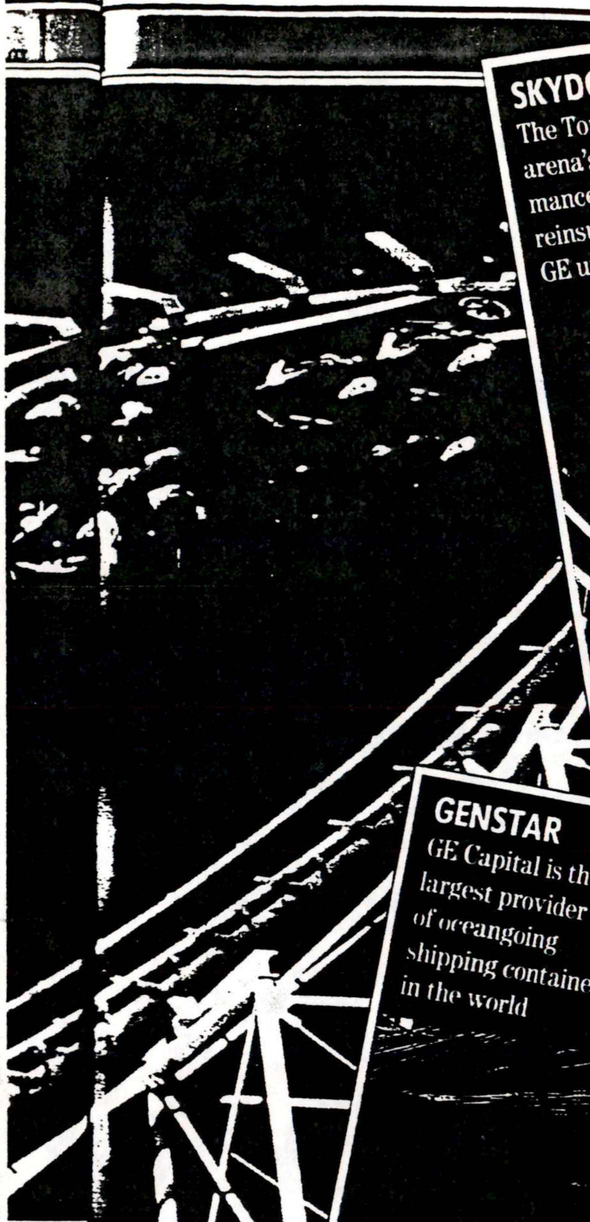
Sears. ITT. Xerox. Westinghouse. All proud names of Corporate America that rushed eagerly into the promised land of financial services in the 1980s. Lured by tantalizing returns, they amassed large positions in real estate lending, consumer finance, and corporate buyouts. Now, battered by severe losses, those adventurers are retreating, anxious to limit exposures and get back to their basic businesses.

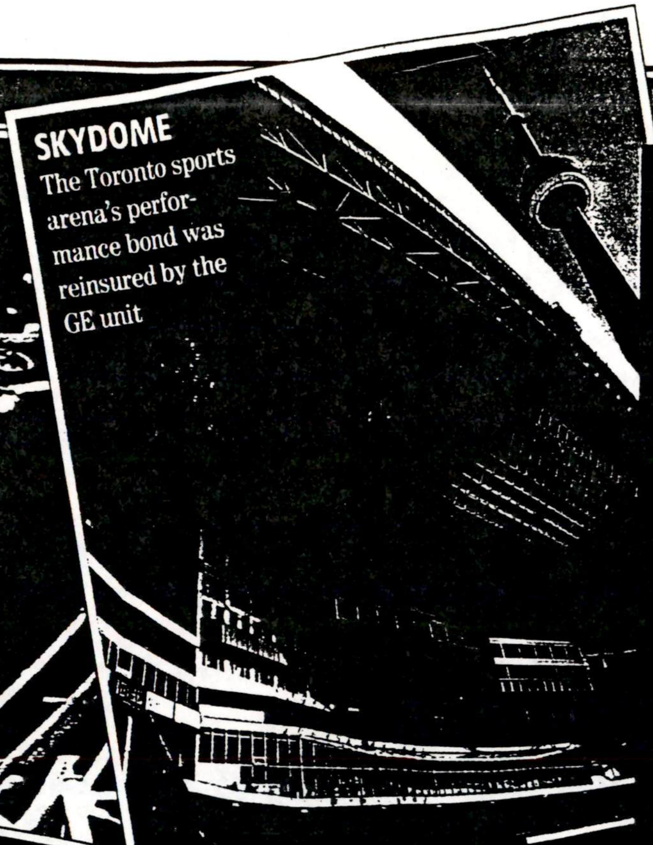
Except for General Electric Co. The maker of jet engines, light bulbs, and home appliances is enjoying incredible benefits from its finance arm. During the recent recession, when GE's more cyclical businesses stalled, GE Capital Services Inc., formerly GE Financial Services, was a veritable money machine. In five years, the unit's assets have more than doubled, to $155 billion. GE Capital is now the engine driving its parent's profits: Its share of GE's earnings surged from one-fifth to one-third. Unlike its hapless competitors, GE Capital handily overcame losses in real estate and leveraged buyouts, posting record earnings of $1.5 billion in 1992.

The global scope of GE Capital today is a far cry from its humble beginnings in the Depression, when GE's credit operation got its start financing refrigerators. Its portfolio of nearly two dozen discrete businesses extends to almost every corner of the world of finance. GE Capital provided a $100 million loan for the recapitalization of the Six Flags amusement park chain and reinsured the performance bond for Toronto's Skydome. It has issued 65 million credit cards to customers of retailers, including R. H. Macy & Co. and Montgomery Ward & Co. It owns and operates the nation's second-largest reinsurer, Employers Reinsurance Corp. Its auto-leasing fleet, No. 1 in the U. S., is growing at a 15% annual clip. It is the world's largest lessor of oceangoing shipping containers and the largest private mortgage insurer. It has been one of the most aggressive purchasers of troubled property seized from banks and thrifts. And it owns a large Wall Street brokerage, Kidder, Peabody & Co.

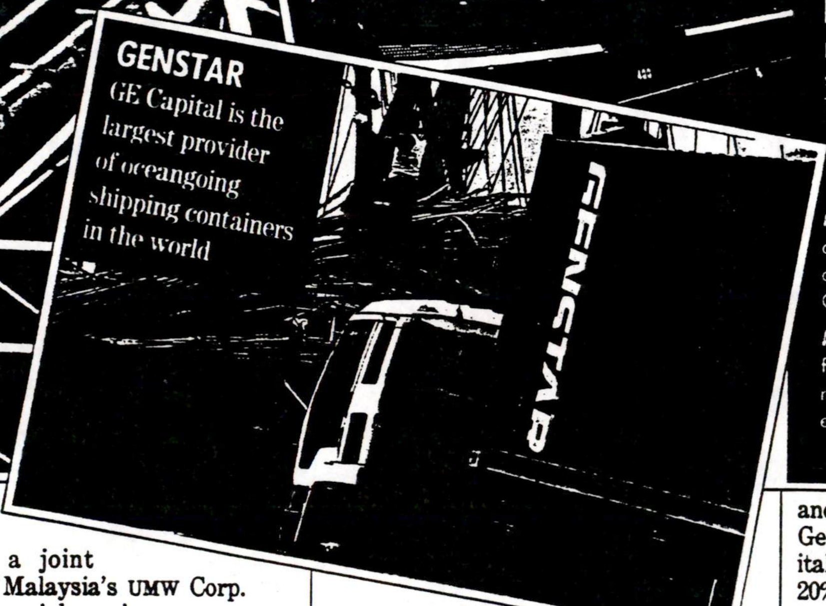
While other companies' financial arms are pulling back, GE Capital is expanding rapidly. It snapped up $5 billion in new assets last year alone. And it's off to a fast start in 1993. In January, it bought the $3.2 billion annuity and mutual fund business of GNA Corp. from Weyerhaeuser Co. for $525 million as a way to expand into peddling investments to aging baby boomers. Its bargain hunters have been scrutinizing the books at troubled Westinghouse Credit Corp. (page 68) and eyeing the $2.25 billion real estate portfolio of First Chicago Corp.

NUTS AND BOLTS. GE Capital is pushing ahead globally, too. It bought Harrods' credit-card portfolio and Barclays Bank's auto-loan business last year. It picked up Avis Lease's $1 billion European autofleet business and a 3% stake in Spain's Banco Bilbao Vizcaya. And in December,





SKYDOME
The Toronto sports arena's performance bond was reinsured by the GE unit



GENSTAR
GE Capital is the largest provider of oceangoing shipping containers in the world

GE CAPITAL SERVICES' GROWING REACH

EXPANDING AT HOME...

EQUIPMENT LEASING Aggressively buying up sizable leasing portfolios of financial institutions and manufacturers. Recent purchases: Eastman Kodak's $1 billion credit business and $500 million in leases from Chrysler Credit

REAL ESTATE Major buyer of property taken over by feds from failed thrifts. Also managing property and loans for insurers and industrial companies

CONSUMER FINANCE Leading issuer of private-label cards, with 65 million accounts for retailers such as R.H. Macy and Home Depot. Launched own bank card in September. Purchased annuity and mutual-fund business from GNA in January

...AS WELL AS ABROAD

BANKING and INSURANCE Bought minor stake in Spain's Banco Bilbao Vizcaya. Took 49% stake in Malaysia's UMW to develop financial services there. Employers Reinsurance unit insured a performance bond for Toronto Skydome construction

AUTOS Acquired Avis' $1 billion European fleet-management business. Bought auto lease business from Mercantile Group, a unit of Britain's Barclays Bank

AIRCRAFT Major lessor of airplanes to foreign carriers. Helped Kuwait Airways rebuild its fleet after Persian Gulf War. Is entering the mainland China market

DATA: BUSINESS WEEK

it launched a joint venture with Malaysia's UMW Corp. to provide financial services.

What is GE Capital's edge? One is its association with GE, which allows it to borrow money cheaply, typically around 6% in 1992, thanks to GE's AAA credit rating. But most important is a culture that successfully blends an entrepreneurial spirit with the hard-driving and intensely competitive focus of its parent. That translates into an obsession with performance, an ability to shift strategies rapidly to take advantage of change, an appetite for risk-taking and dealmaking, and an engineer's yen to run operations, not just write a check to finance them. GE Capital has a manufacturing mind-set that views money as a raw material to be machined into a service that can be marked up and sold for a profit.

GE Capital's culture, indeed, is the antithesis of the plodding, risk-averse attitude that pervades most banks. GE Capital, for instance, is eager to seize a deadbeat's assets and run them—better. "We don't want to be commodity providers of money," says Chief Executive Gary C. Wendt. "I just think we have a different attitude because we're part of an operating company."

HIGH EXPECTATIONS. It is Wendt, 50, a professionally trained engineer, who sets the style at GE Capital's utilitarian headquarters in Stamford, Conn. He displays a thinly disguised contempt for his banking competitors. "We can't earn the same kinds of returns that banks do, otherwise GE won't keep us around," says Wendt, a devotee of the tough management style of his boss, GE Chairman and CEO John F. Welch Jr. As one of General Electric's 13 businesses, GE Capital is expected to rack up an average 20% return on equity, a target that vastly eclipses the banks' average of 13%. To do so, GE Capital relies on its diverse operations. The company makes money in a variety of ways: fees from leasing activities, premiums from insurance operations, interest income from lending, and investment returns from real estate deals.

Wendt sets a high bar for his managers to reach, and they, in turn, demand the same of their subordinates. "Life is staying one step ahead of the posse—that's what I tell my managers," says Edward D. Stewart, one of three executive vice-presidents who report to Wendt. And what of those who can't cut it in such a supercharged atmosphere? Stewart's half-joking response is the baseball umpire's jerked thumb: Yer out.

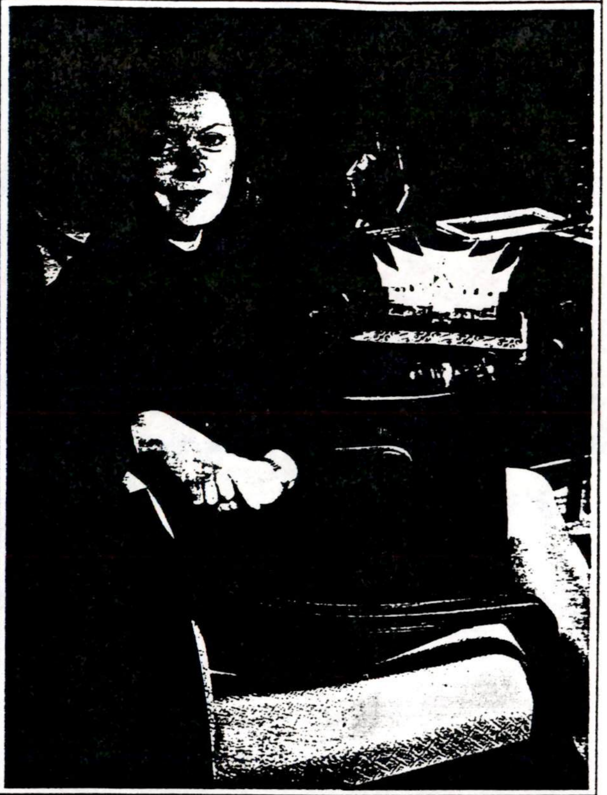
How long can GE's money machine keep rolling? Some observers have pre-

(TOP) PHOTOGRAPH BY FOCUS ON SPORTS

dicted for years that its relentless drive for growth would lead it to make mistakes. Indeed, in 1992 it wrote off $1.25 billion in bad loans and other failed dealings, down a little from $1.3 billion in 1991 but far above the $800 million posted in 1990. There are plenty of potential pitfalls. The global airline recession could leave it with scores of unleasable airplanes, or the ever-chancy insurance market could sideswipe Employers Re. Its ability to acquire bargain-basement assets from troubled competitors will be lessened as the economy recovers, forcing it to rely even more on squeezing extra profits from existing assets.

'How many apps can a manager process? How many dollars can a collector collect?'

SANDRA DERICKSON
MANAGER, AUTO LEASE



Further, as the company focuses more of its expansion efforts overseas, it could fall prey to the vagaries of foreign economies. Still, most GE Capital watchers remain convinced that its enormous breadth and skilled management will keep it humming with the slick efficiency of a GE turbine. Marvels Lawrence Connell, chief of the Hartford-based Society For Savings and a former regulator: "They're the major finance company in the country right now."

More than any other factor, GE Capital reached that position with a singular focus on performance. Its managers can expect—and must meet—stiff standards that are set by Wendt. One key is to outwit competitors by moving faster, buying cheaper, and servicing customers quicker. Another is dealing with problems the minute they crop up. The overall goal is to get the business to grow at a double-digit annual rate. "There's an absolute obsession with growth," says James A. Parke, GE Capital's senior vice-president for finance.

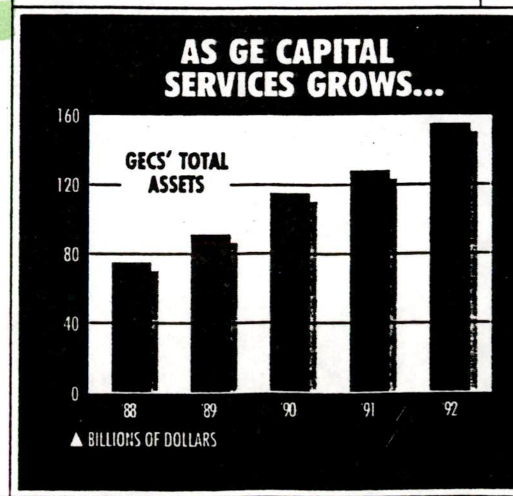
'800-POUND GORILLA.' Business managers gather four times a year for face-to-face meetings with Wendt and the other top executives. At these so-called "war games," three-year strategies are laid out. Operating plans for the current year are checked and adjusted, if need be. Business development staffs within the individual units are constantly searching for new opportunities. Ideas bubble up from the bottom: potential acquisitions often surface first among salespeople in the field. "There's this natural drive to find something new to do, to take advantage of the competition, to build your business," says Dennis J. Nayden, an executive vice-president.

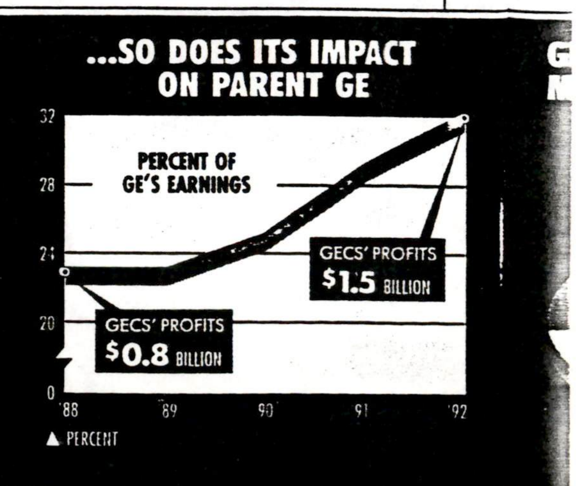
At the moment, its competitors have almost ceded the field to GE Capital. Banks, fearful of regulators, don't want to lend. Insurers, afraid of runs from policyholders, are adding reserves to offset deteriorating real estate portfolios. And industrial companies with finance arms, pressured by irate shareholders, are returning to their core businesses. GE Capital is using this environment to gobble up assets from weakened rivals and expand its reach. "They're one of the few buyers when everybody else is selling," says analyst George Fraise of Smith Barney, Harris Upham & Co. "GE does this better than anyone else."

GE Capital is a prime source of funds for troubled companies. Consider Volvo, whose financial troubles were starting to affect the Swedish company's ability to finance the leasing of its vehicles. In the U. S., Volvo's debt had been downgraded, hurting its ability to raise capital. Volvo's unhappy choice: try to please Wall Street by raising lease rates in a bid to expand revenue or soldier on, paying higher interest rates and lowering the profit it made. "We would have been pinched," acknowledges Volvo Car Finance President Michael T. Duke. Along came GE. With its ability to raise capital cheaply, GE Capital was able to structure a joint-venture deal that once again allows Volvo to compete with aggressive lease rates for its cars. "GE is clearly the 800-pound gorilla," says Duke. "They're the first guys you turn to."

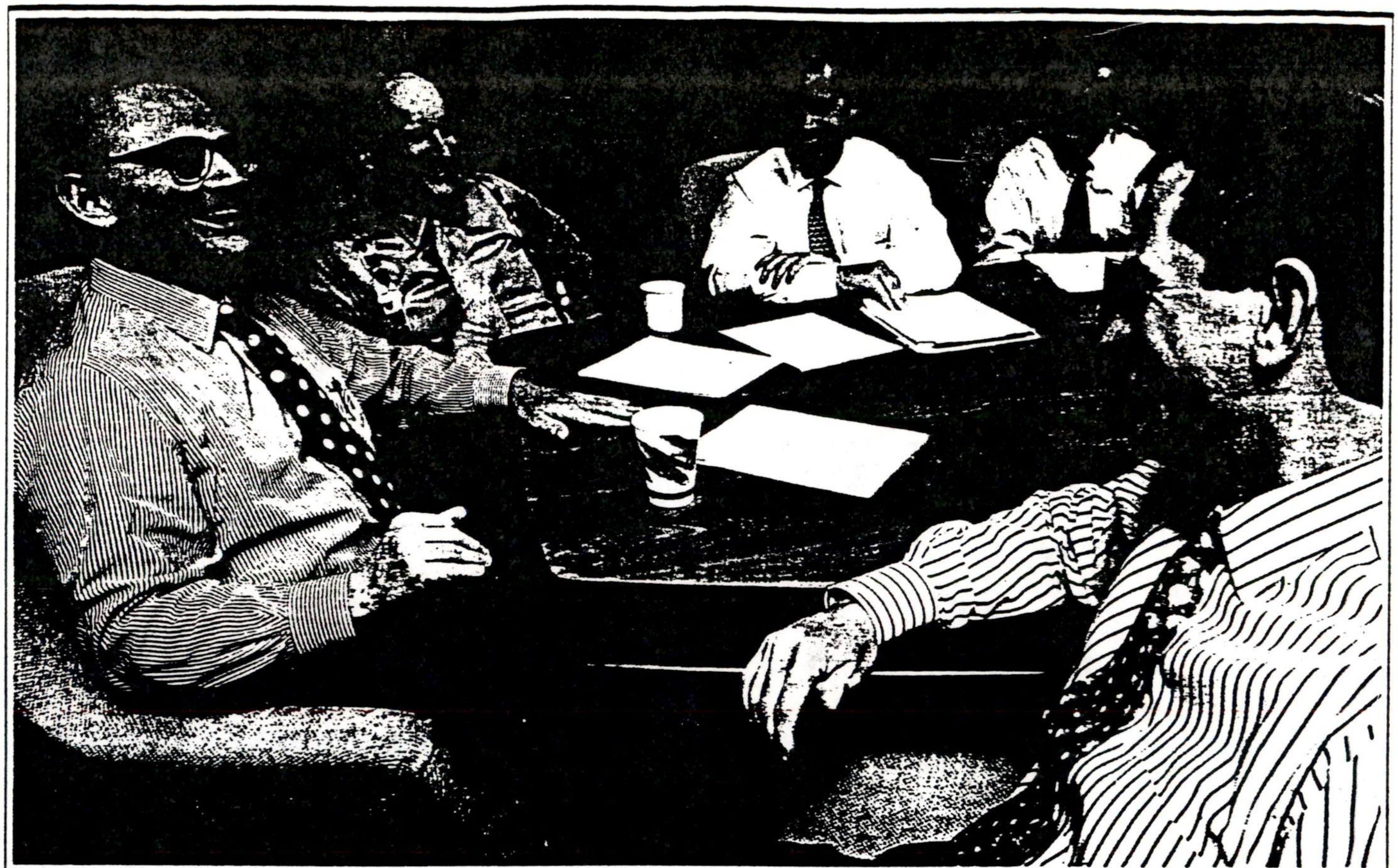
BURNOUT INSURANCE. GE Capital is always prowling for new businesses to expand into. In the past, its Genstar shipping container leasing unit, along with other lessors, sold old containers to scrap merchants. Then one day, employees at a Genstar facility got the idea of reconditioning the containers for use as portable warehousing facilities at ports and industrial sites and as storage space for retailers' excess inventories. The business, called Instant Space, is now a global operation that has grown to the point where GE Capital is a regular buyer of containers from steamship lines.

Productivity is a key facet of GE Capital's drive for performance and is constantly being measured. "We have one-fifth the corporate overhead per asset that we had seven or eight years ago," brags Wendt. When Chrysler Credit Corp. ran a $500 million equipment-leasing business, it had 100 employees. GE Capital bought the operation but left be-





PHOTOGRAPH BY ALICE HARGRAVE; CHARTS BY RAY VELLA/BW



Wendt (left) with vice-presidents Berger, Stewart, Parke, and Hayden

hind all the people. GE Capital has a whole set of systems to boost productivity. Process mapping, the system by which managers can track how many steps it takes to perform a given task, is much in vogue.

So are such GE concepts as "workout," where employees confront managers over bureaucratic inefficiencies and suggest solutions. At GE Capital's auto-leasing business outside Chicago, says manager Sandra L. Derickson, employees get questions like: "How many credit apps can a credit manager process? How many dollars can a collector collect every month?"

Wendt appears to appreciate that this type-A environment can lead to burnout. So he doles out plenty of corporate benevolence in order to take the edge off. GE Capital's auto leasing operation, for instance, offers flexible working schedules and provides transportation to a local day-care center for mothers who bring their children to work. Workers sometimes receive $100 "management reward" checks for handling a difficult customer or solving a thorny problem.

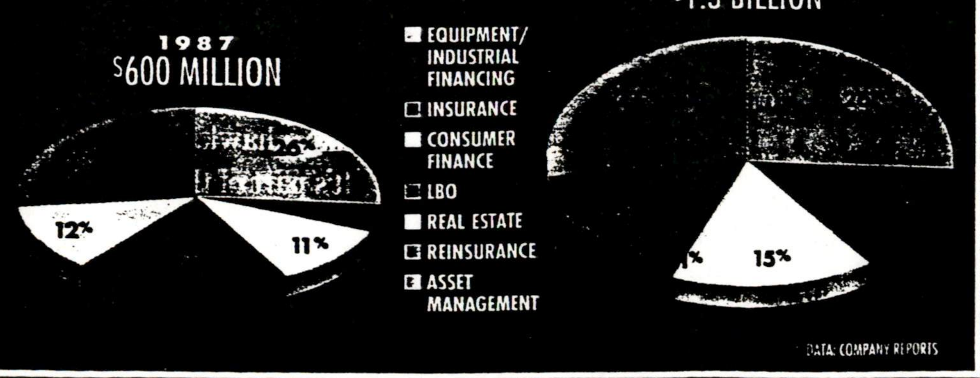
HOLY NUMBERS. A crucial part of the productivity drive is that GE holiest of holies—numbers. GE Capital has a huge cadre of well-trained number-crunchers, many of them graduates of its parent's famed financial management programs. "We watch numbers like a hawk," says Executive Vice-President Stewart. "It's part of the GE culture. It doesn't take long to spot something that pops up out of trend."

GE Capital's number-crunching prowess has been especially helpful in its negotiations with troubled financial institutions eager to unload assets. In the past couple of years, GE Capital has been a hungry acquirer of huge real estate portfolios from Resolution Trust Corp., the federal agency in charge of cleaning up the S&L quagmire. "They were very astute and well-informed buyers who were generally ahead of everybody else," says former RTC head L. William Seidman. By having the financial muscle to make bulk purchases, such as a $1 billion portfolio that included some Florida strip shopping centers, GE Capital can bag RTC property much more cheaply than the agency's going rate, which is 40¢ to 70¢ on the dollar. According to Lewis Goodkin, a Florida real estate expert, GE Capital grabbed some properties for 20¢ on the dollar.

The RTC deals also illustrate GE Capital's agility in taking advantage of market changes, another hallmark of its operating style. A decade ago, it was a major lender on commercial property deals, concentrating on existing buildings with good track records. Today's rotten real estate market has provided different opportunities. Even more active than it once was, GE Capital is buy-

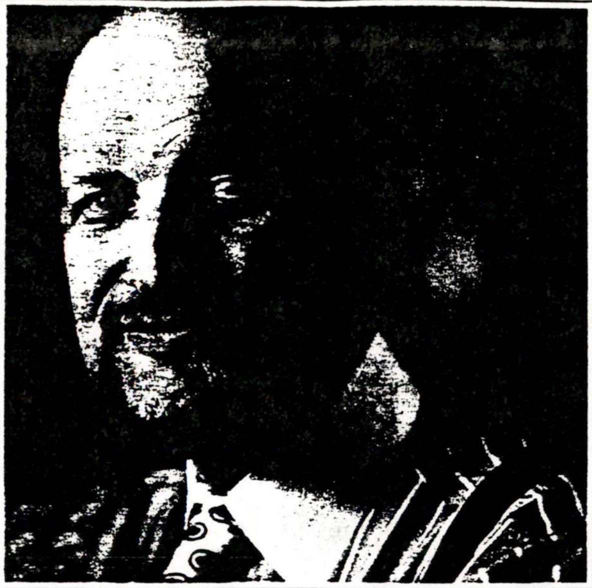
PHOTOGRAPH BY JOHN S. ABBOTT

GE CAPITAL'S CHANGING PROFIT SOURCES: MORE INSURANCE, NO LBOs



'When you lend money to a company, you'd better be ready to own it.'

STEPHEN BERGER
VICE-PRESIDENT



ing up properties burdened by excessive debt loads. It can afford to refinance the buildings, manage them, and then await the turn in the property market cycle. Then, GE Capital plans to sell the buildings to institutional investors.

A look at the mix of businesses that make up GE Capital shows just how it continually shifts business focus to create a diversified portfolio in which thriving divisions more than offset faltering ones. In 1987, nearly one-fifth of GE Capital's $600 million profit came from leveraged buyouts, while leasing such things as truck trailers, shipping containers, and railcars produced only $25 million in earnings. Four years later, problems in LBO lending led GE Capital to take the $1.3 billion write-off. But it was the asset-management businesses, including leasing, that kicked in, yielding more than $300 million in income.

Patience also pays off. While the 1986 purchase of Kidder hasn't been the home run GE Capital envisioned, it finally has managed to redeem itself. After years of underperformance, it had a good 1992, with operating earnings of about $300 million. The unit, which has been for sale, at least is now a more desirable property.

FIELDWORK. Moving quickly to deal with problems is also a GE Capital hallmark. In 1990, Vendor Financial Services, a unit that finances other manufacturers' equipment, was limping along—a low-growth outfit making less than $10 million on its $1 billion in assets. GE Capital tapped Thomas H. Mann, who had performed ably at GE Capital's mortgage-insurance operation, to beef up the business. Rather than battle rivals for the same share of the pie, Mann went after a much bigger potential market: equipment that manufacturers were financing themselves. "We cold-called them," he recalls. Since this area was not a profit center for the manufacturers, GE Capital argued that it could do the job better. Even Jack Welch volunteered his assistance, putting in a pitch with Eastman Kodak Co. executives to seal last year's $1 billion purchase of the financing portfolio for Kodak's office-equipment arm. In 1992, Mann's unit earned about $45 million on assets, which have more than tripled to $3.5 billion. But Mann's superiors aren't about to let him rest on his laurels. His income target this year is at least $60 million.

GE Capital is also performing a strategy about-face in corporate finance, where Stephen Berger, GE Capital's executive vice-president and the former executive director of the New York Port Authority, is trying to build a book of business in the post-LBO lending environment. The emphasis is on due diligence and not just dealmaking. "They spent days out in the field," says Linda J. Wachner, CEO of Warnaco Inc., for whom GE Capital led a syndicate that provided $350 million in term loans and revolving credit. "We have over 25 facilities, and they met with every member of senior management."

GE Capital's experience with its own soured loans has helped it exploit new business opportunities. It has moved into bankruptcy financing, a booming market created by busted LBOs. Last year, in one of its biggest deals, Berger's unit lent the department store chain Carter Hawley Hale Stores Inc. $225 million to finance its plan of reorganization from bankruptcy. GE Capital is even trying its hand at running the businesses of its former creditors. It now owns and operates Shoe Town, which it took over after store chain's loans went bad in 1991. "Our goal is to turn it around, improve the numbers, and then sell it," says Berger. "We are not going to be in the shoe business."

Dealing effectively with problem assets has helped GE Capital reduce the amount of its nonperforming and underperforming assets to $1.4 billion at year-end 1992, down from $2.2 billion at its peak in June, 1991. An example of its quick action philosphy: When Eastern Air Lines Inc. collapsed, GE Capital's Polaris Aircraft Leasing operation got stuck with a handful of Boeing 757s. Polaris executives discovered that USAir Inc. wanted some of the widebody planes but had McDonnell Douglas MD-80s leased from Polaris that it no longer needed. So GE released the 757s to USAir, taking the MD-80s back and leasing them in a new deal to a Chinese carrier.

SERVICE ON THE FLY. What helps GE Capital managers in situations like these is a deep reservoir of operational experience, some of it drawn from the ranks of parent GE. GE Capital has a team of more than 100 engineers who work on location at GE-financed industrial projects, such as power plants in Asia. In its commercial equipment financing unit, which leases more corporate aircraft than anyone else, many of the salespeople are licensed pilots. GE Capital's railcar leasing outfit even runs six wheel-repair shops around the country, giving it a big edge over competitors.

The drive to add value to assets, not just finance them, is ongoing. In a back-room office in Eden Prairie, Minn., 65 former auto and

'We watch numbers like a hawk. It's part of the GE culture.'

EDWARD STEWART
VICE-PRESIDENT

truck mechanics answer phone calls 24 hours a day from drivers of vehicles whose companies have leased vehicles from GE Capital. At the flick of a switch, a phone clerk can call up a computerized history of the vehicle and help diagnose a potential problem. With the information, the clerk can steer the driver to the nearest garage that can handle the defect. A GE Capital employee will even negotiate the lowest possible repair price.

In another part of the building, a handful of GE Capital employees will arrange to get the tags for any of its customers' vehicles, no matter what the state. Such services, for which GE Capital customers pay fees, are all part of a value-added approach to asset financing. "For every $1 in fee that they pay, we estimate we can save them $4 to $4.50," says auto-fleet chief Teresa M. LeGrand. Added features like tag delivery and auto service diagnosis helped the auto fleet unit, which barely broke even in 1987, turn an $80 million profit last year.

This may seem far removed from the glorified world of high finance. But it's all just part of a restless corporate culture that seems to thrive on continually shaking itself up. "Change," says CEO Wendt. "You make it an exciting thing rather than a threatening thing." So far, at least, the excitement at GE Capital has kept the potential threats at bay.

By Tim Smart in Stamford, Conn.

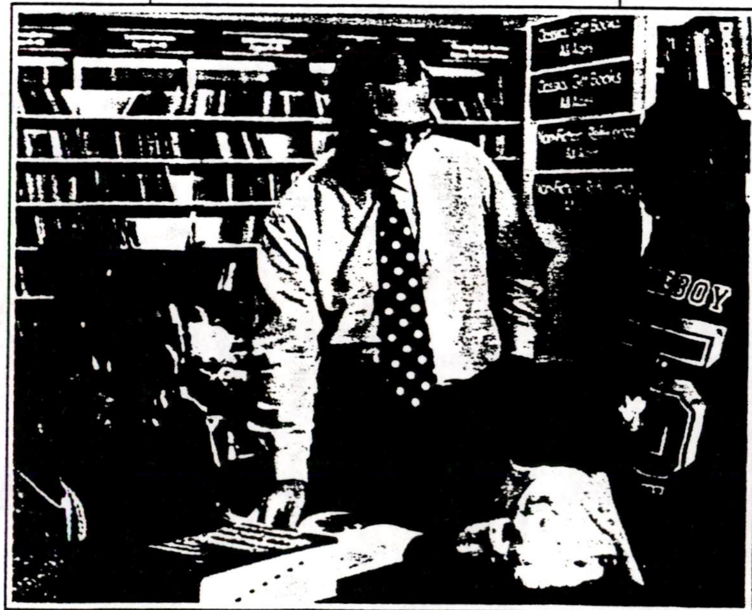
A MOVER AND SHAKER, GE STYLE

Gary C. Wendt is perhaps as close to the embodiment of the General Electric Co. ethic as one can get. A tightly wound man who keeps his impatience just below the surface, he is extremely demanding. Wendt, a University of Wisconsin engineering graduate, closely monitors operations and is forever quizzing subordinates about their progress—with the assurance of one who already knows a lot of the answers. Says Edward D. Stewart, one of three executive vice-presidents who report to Wendt: "He's obviously a constant pusher."

That's not to say that the head of GE Capital is a table-pounding autocrat. He is an adherent of another aspect of the GE culture: teamwork. He spends a lot of time listening to staffers at GE Capital's 22 business units. Wendt is constantly prodding his people to come up with new ideas and better ways of implementing the old ones. "We talk about growth a lot, we stress it, and we expect it," says the 50-year-old Wendt, whose soft, round face belies his tough manner.

CORPORATE CONSCIENCE. Wendt demands that his executives back up their notions with solid numbers. This approach was key to GE Capital's staying clear of a lot of the more speculative 1980s deals that brought rivals low. As adviser to a Florida-based real estate investment trust in the 1970s, Wendt weathered a sharp collapse in that state's real estate market. Joining GE Capital's real estate operation in 1975, he insisted on lending only to builders with established cash-flow track records, not construction projects grounded on hope. Wendt, who also oversaw GE Capital's commercial finance dealings, became its No. 2 executive in 1984, and then its CEO in 1986.

Friends and colleagues say Wendt has a sharp sense of humor that he uses to show he's on top of the situation. Stamford (Conn.) *Advocate* publisher William Rowe recalls a time when the two were driving back in a GE limo from a trip to Hartford. Wendt was on the phone, discussing the details of a major deal involving hundreds of millions of dollars, and a fascinated Rowe was doing his best not to appear too interested. When the call was over, Wendt turned to Rowe and asked: "Do you want a piece of it?"



Wendt at the Stamford Boys & Girls Club: "He's forever sending us books"

Although hardly one to spout idealistic rhetoric, Wendt has an active *pro bono* life. The father of two grown daughters, he puts a heavy premium on helping needy children, particularly through education. As a trustee of the Stamford Boys & Girls Club, which caters to low-income kids, he is involved in the usual big-time executive's chore of raising funds for bricks and mortar. But it's the children's mental development that clearly engages Wendt the most. "He's forever sending us books for the kids," says Executive Director Abraham Reyes. "He even donated a magnetic globe." Wendt also often stops by the club's computer lab, where children learn basic computing skills. Much of the teaching there is done by GE Capital's volunteers.

Although a golfer like many Connecticut executives, Wendt favors outdoor activities that are new, challenging, and require heaps of teamwork—sort of like life at GE Capital. That's one reason he's a trustee of Outward Bound USA. Two years ago, he went on an arduous white-water rafting trip down Colorado's Green River, where he also climbed up and rappelled down cliff faces. Last year, Wendt and his wife went on an Outward Bound trek to Nepal, where they rode elephants and slept in jungle camps.

Wendt's globe-trotting suggests a certain restlessness. Whether he's checking up on GE Capital's far-flung operations, scouting business opportunities, or hobnobbing with foreign financial leaders, the man is always on the go. When he's abroad and weather permits, he makes sure to head for the links, which he says allows him to sample the local business mindset. And even when he's home relaxing, there's little peace and quiet. Radios and TVs are often tuned to sports. Wendt is an avid fan of the Chicago Cubs—which is about the only subpar performer the taskmaster of GE Capital will tolerate.

By Tim Smart in Stamford, Conn.

PHOTOGRAPHS BY JOHN S. ABBOTT

General Electric Company
1992 Annual Report

Financial Highlights

General Electric Company and consolidated affiliates

(Dollar amounts in millions; per-share amounts in dollars)	1992	1991	1990
Revenues — including discontinued Aerospace businesses	**$62,202**	$60,236	$58,414
Revenues — continuing operations	**57,073**	54,629	52,619
Earnings from continuing operations	**4,305**	3,984	3,889
Earnings from discontinued operations	**420**	451	414
Earnings before accounting change	**4,725**	4,435	4,303
Net earnings	**4,725**	2,636	4,303
Dividends declared	**1,985**	1,808	1,696
Per share			
Earnings from continuing operations	**5.02**	4.58	4.38
Earnings from discontinued operations	**0.49**	0.52	0.47
Earnings before accounting change	**5.51**	5.10	4.85
Net earnings	**5.51**	3.03	4.85
Dividends declared	**2.32**	2.08	1.92

Data for 1991 and 1990 have been reclassified, when necessary, to state separately the results of discontinued operations. See note 2 to the consolidated financial statements for information about discontinued operations. See note 6 for information about the 1991 change in accounting for retiree health and life insurance benefits.

Contents

Cover and financial pages printed on recycled paper.

To Our Share Owners

1992 was another strong year for GE in a difficult global economic environment. There is nothing like hard times to try out soft concepts; nothing like reality to test rhetoric.

We have produced our fair share — maybe more — of rhetoric over the recent past, discussing soft values with you in this report and struggling among ourselves at all levels of GE to distill just what the characteristics of a winning company are, what makes work exciting and fulfilling rather than just tedious drudgery, and what kind of leadership traits will galvanize and inspire an organization.

In 1992, these soft values continued to produce hard numbers, and much of our rhetoric rolled into action.

- Consolidated revenues were $62.202 billion, up 3%.
- Earnings were $4.725 billion in 1992, up $290 million or 7%.
- Earnings per share were $5.51, up 8%.
- Total cost productivity, despite the recession, was 4½%, three times the level achieved during the last recession of the early 1980s. This level of productivity maintains the two-to-threefold improvement we've been seeing since we started a cultural thrust called Work-Out several years ago.
- The quickening of the pace of the Company, a staple of our rhetoric in past years, has turned into the reality of faster inventory turns across the businesses, producing $5.3 billion in cash flow from operations — an all-time record for GE.
- Industrial and Power Systems, Plastics and Medical Systems turned in double-digit earnings growth; and the 22 entrepreneurial businesses of GE Capital Services continued their powerful growth in leasing, credit card services, property management, reinsurance, and scores of value-added, "non-banking" activities, producing 18% growth in net earnings. Kidder, Peabody had its second consecutive year of record earnings.
- Our exports of $8.8 billion enabled us to make a nearly $6 billion positive contribution to the U.S. balance of trade.
- The reality of the global marketplace as our true arena was reinforced by a major shift of

Chairman and Chief Executive Officer John F. Welch, Jr. (center) with Vice Chairman and Executive Officer Paolo Fresco (right) and Executive Vice President Frank P. Doyle.

senior management and resources toward India, Southeast Asia, China and Mexico — the megamarkets of the 21st century and the opportunities of today. We continue to move the center of gravity of GE in the direction of these high-growth markets.

• In November, we agreed to combine our Aerospace business with that of Martin Marietta, creating the world's number-one aerospace electronics company, a new competitor with double the assets and a fraction of the overhead of its two components. When this combination is approved in 1993, GE will have a one-billion-dollar investment in the new company.

These events and numbers were looked on favorably by the market and — along with two dividend increases during the year — rewarded GE share owners with a return of 15%.

Small companies . . . What we are trying relentlessly to do is get that small-company soul — and small-company speed — inside our big-company body.

Over the years we've analyzed our own Company, with as much objectivity as we can muster, and we've studied and visited hundreds of companies around the globe — either in acquisition efforts or just to learn from them. In doing so, we find that while we like some of the attributes of big companies — particularly their scale and marketplace reach — it is small companies that create excitement while big companies, too often, just impress.

What do we like about small companies?

Most small companies are uncluttered, simple, informal. They thrive on passion and ridicule bureaucracy. Small companies grow on good ideas — regardless of their source. They need everyone, involve everyone, and reward or remove people based on their contribution to winning. Small companies dream big dreams and set the bar high — increments and fractions don't interest them.

We love the way small companies communicate: with simple, straightforward, passionate argument rather than jargon-filled memos, "putting it in channels," "running it up the flagpole" and, worst of all, the polite deference to the small ideas that too often come from big offices in big companies.

Everyone in a small company knows the customers — their likes, dislikes and needs — because the customer's thumbs up-or-down means the difference between a small company becoming a bigger company tomorrow — or no company at all.

It comes down to something very simple: small companies have to face into the reality of the market every day, and when they move, they have to move with speed. Their survival is on the line.

We come back again and again to that small company advantage: ***speed***. Speed, which brings with it an urgency, an exhilaration and a focus on what really matters, is a vaccine against bureaucracy and lethargy. It is the simple ingredient that drives small companies, and it is the lack of speed that gets big companies in trouble.

But "big" does have its advantages. Big allows us, for example, to spend billions on developing the new GE90 jet engine, or the next-generation gas turbine, or Positron Emission Tomography (PET) diagnostic imaging machines — products that sometimes take years of investment before they begin producing returns.

Size gives us staying power through market cycles in big, promising businesses. It permitted us to invest heavily in Power Systems during several down years in the 1980s, which allowed the business to emerge healthy and ready to capitalize on the global boom now in progress. Size will allow continued heavy investment in new products as GE Aircraft Engines goes through an early 1990s down-cycle, and will permit that business to maintain global leadership throughout that cycle and into the 21st century.

Size gives us the resources to invest over a half-billion dollars a year on education: cultivating, at every level in the organization, the human capital we must have to win.

Offshore, "big" permits us to form partnerships with the best of the large companies, and large countries, and to invest for the long term in nations such as India, Mexico and the emerging

Boundarylessness . . . is a behavior definer, a way of getting people outside of their organizational boxes and offices and working together, faster.

Work-Out sessions like this one led by Lloyd Trotter, president and CEO of GE Electrical Distribution and Control, are helping GE eliminate boundaries and improve productivity. Shown (left to right) are George Zippel, Jim Yuan, Lloyd Trotter, Claire Schroeder, Sam Eskridge, Michael Jack, Chris Fuselier and Ellie Murphy.

industrial powers of South Asia — while still putting billions of dollars into the research and development of products that will be in demand in tomorrow's markets.

But size is no longer the trump card it once was in today's brutally competitive world marketplace — a marketplace that is unimpressed with logos and sales numbers but demands, instead, value and performance.

What we are trying relentlessly to do is get that small-company ***soul*** — and small-company ***speed*** — inside our big-company body.

But how do you get that speed in a $60 billion company with 230,000 employees competing all over the earth? Before you begin to accelerate an organization, you have to take the brakes off. The brakes in our case are the boundaries, the barriers, the fiefdoms, the remnants of a bureaucracy that slow us down.

That's what that cumbersome word "boundaryless" is all about and why we focus on it so much in this letter and in every hour of our work day. ***"Boundarylessness" is a behavior definer***, a way of getting people outside of their organizational boxes and offices and working together, faster. It also gets us closer to our customers, our suppliers — closer to all of the constituencies upon which we depend.

This behavior definer led us to a process called Work-Out that we've been using for four years now to capture good ideas and run with them — whether their originator is a crane operator on the line or some company on the other side of the earth. Work-Out has been the vehicle that has allowed us to act on a series of innovative ways of removing barriers — always with an eye to becoming faster — becoming better.

These boundaryless initiatives are changing the way our businesses operate. For example:

• ***Quick Response.*** This is a cycle-time reduction technique we adapted from our Canadian affiliate, which found it in an appliance company in New Zealand, which got it from who-knows-where. Quick Response erases most of the barriers between the functions of our businesses — manufacturing, finance, etc. — and the customers, and has taken GE Appliances from an 18-week order-to-delivery cycle to a 3½-week cycle at the present — on the way to ***three days***. Quick Response has reduced average inventory in GE Appliances 50%, or almost $400 million, and will allow it to break through the 10-turn barrier in 1993 — almost double the rate of 1989.

• ***Co-location.*** Co-location is the ultimate boundaryless behavior and is as unsophisticated as can be: We tear all the walls down and put teams from all functions together in one room to bring new products to life. One room, one coffeepot, one team, one shared mission.

The standard lament of manufacturing — "What idiot designed this thing?" — is no longer heard because the product is now designed ***with*** manufacturing, with marketing, with suppliers, and often with the customers themselves.

GE Medical Systems is using this boundaryless technique to design and manufacture its new ultrasound products. The Profile appliance line was developed this way, as was the GE90 jet engine. Before long it will be the way GE develops ***everything*** it makes, and every service it sells.

We are finding that once people leave their cherished offices, work as a team and share the excitement and rewards that belong to winning teams, they never want to go back.

• ***Quick Market Intelligence***. Too many people in big companies come through the gate each morning to serve the internal bureaucracy. Customers — if they are thought of at all — are some vague abstraction. QMI changes all that. It is a process that gives every salesperson direct access, every Friday, to the key managers and the CEO of the business, to lay out customer problems and needs. The product of the meeting is not deep or strategic in nature, but action — a response to the customer right away. The QMI routine turns the face of everyone in the organization toward that marketplace and, by doing so, makes the bureaucracy stand out for what it really is: silly, irrelevant and even malevolent in its interference in the process of serving customers.

Quick Market Intelligence . . . *That QMI rhythm — that weekly pulsing of customer needs — will become the rhythm of GE in the years to come and one of the key drivers of our top-line growth.*

Quick Market Intelligence is our term for the magnificent boundary-busting technique pioneered by Wal-Mart that allows the entire Company to understand, to sense, to touch the changing desires of the customer and to act on them in almost real time. The rhythm of the Wal-Mart intelligence-action cycle encourages experimentation, because whatever doesn't work is never in place for more than a week.

QMI has rooted quickly in long-cycle and short-cycle businesses as diverse as Medical Systems, Lighting, Plastics and Power Systems, and it is dramatically increasing the speed of those businesses. That QMI rhythm — that weekly pulsing of customer needs — will become the rhythm of GE in the years to come and one of the key drivers of our top-line growth. The secret of Wal-Mart is that it keeps its small-company speed and behavior as it grows bigger. QMI is a chance for us to get bigger — by acting smaller.

• ***Rewards***. In small companies the punishments and rewards of the marketplace come quickly. If the product doesn't win, the team doesn't eat. If the product wins big, the rewards are substantial — often the stuff of legend.

Stock options are the most powerful tool we have in the Company to approximate small-company incentive systems. In the early 1980s, only 400 of our senior executives held them. We've also broken that barrier, and today, more than 13,000 of our top performers, from foremen to secretaries to newly hired engineers and salespeople, hold stock options. These options are a key part of the linkage we are trying to forge between what a person does on the job every day and winning in the marketplace — and between that winning and the rewards that come with it — rewards felt in the soul as well as the wallet.

Boundaries are crashing down everywhere around this Company. Every day people from finance, manufacturing and sales are taking off their functional uniforms and teaming up to meet common challenges. The face of the customers, and the customers' needs, have become as real, as vivid and as urgent to everyone in the organization as they are to the salespeople who meet with them.

Nowhere can we quantify the results of boundaryless behavior better than in ***productivity*** and ***globalization***.

The removal of functional barriers within our businesses — and between our businesses and their suppliers and customers — has produced productivity figures over the last five years double or triple those of the early 1980s.

In globalization, the overcoming of geographic and cultural barriers has given us, over the past five years, a double-digit average annual growth rate in revenues outside the United States.

Of course, we haven't rid ourselves of all our turf battles and barriers; and, sure, some boundaries remain. And there is one boundary that we continue to maintain, strengthen and make clear to everyone — the boundary that says that no matter how hard we compete — here and around the world — not one foot must ever step outside the line of absolute integrity.

But all the other boundaries are fair game, and ***the biggest has already fallen***: the one between us and the world full of good ideas we didn't happen to come up with. Parochialism — "Not Invented Here" — is dead at GE — it has been for a while. We don't claim to be the global fountainhead of management thought, but we may be the world's thirstiest pursuer of big ideas — from whatever their source — and we're not shy about adopting and adapting them. Whether it's QMI from Wal-Mart, or co-location from garage shops, or the "Quick Response" technique from New Zealand, or some blinding insight from some formerly quiet machine operator at a Work-Out session — if it looks like it might make us faster — we try it. And if it works, we spread it across every business in this Company — ***fast***.

Parochialism . . . *"Not Invented Here"— is dead at GE — it has been for a while. We don't claim to be the global fountainhead of management thought, but we may be the world's thirstiest pursuer of big ideas — from whatever their source — and we're not shy about adopting and adapting them.*

As we look, eagerly, toward '93 and beyond, we ask every person in every business to ask the tough questions leaders must ask themselves every day:

• Am I facing reality? Am I seeing the situation the way it really is — or the way I wish, or hope, it were? Am I painting flattering self-portraits, or looking honestly in that cold mirror? And when I have grasped the reality, then comes the big, defining question: Am I ***acting*** on it fast enough?

• Do I see a competitor beating us with lower prices and mutter nervously that "he's nuts" or "he's dumping" — when the real answer is: "he's got lower costs, and I better get my costs down now, or I'm gone"?

• Do I see other competitors racing one new product after another into the marketplace and take comfort in deducing they're "spending too much on product development"? Or do I focus on what they are really doing — increasing the speed of their product development cycle, and beating me to the marketplace?

• Do I wait in hope of some dozing manager suddenly springing into action when he hasn't moved in 10 years? Do I "wish" that the autocrat who sits on people all morning and puts barriers between them all afternoon will change his spots? Or is the reality that I lack the courage to make the tough personnel calls that I know I have to make if we're going to win?

• Do I shrug in resignation at slow growth, and wait for new government bureaucrats to replace old government bureaucrats and "fix the economy"? Or is the reality that slow growth is largely a mindset that is unknown in start-up businesses and must be unacceptable in big ones?

• Above all, do I recognize the pace of change, which is making obsolete and wrong today what was contemporary and right yesterday? Do I welcome change for the opportunity it always brings — or am I frightened and paralyzed by it?

When most of us look at our careers, if we are honest with ourselves about decisions we've made, changes we've brought about, we have to acknowledge that there was much wishing and hoping and temporizing that has slowed us in coming to grips with reality. But beyond that, our biggest regrets — sometimes our most bitter ones — are often that once we defined reality, and brought it into focus — we didn't act fast enough, boldly enough.

That's what the best companies do best, and our challenge at GE for '93 and beyond is clear — to ignite this big Company with passion, hunger, appetite for change, customer focus, and, above all, the speed to see ***reality*** more clearly and to act on it ***faster***.

Translating the need for speed, for reality, into the language and practices that change people's behavior, that encourage them to renew themselves, to walk through that door every day as if it were Monday morning on a new job — that's what leadership in this Company is all about. No matter how many ideas we try, it all comes back to people — their ideas, their motivation, their passion to win.

Our unending drive to build a boundaryless, high-spirited Company is moving us faster every day in the direction of what we want passionately to become — the world's most competitive global enterprise.

Thanks for your support.

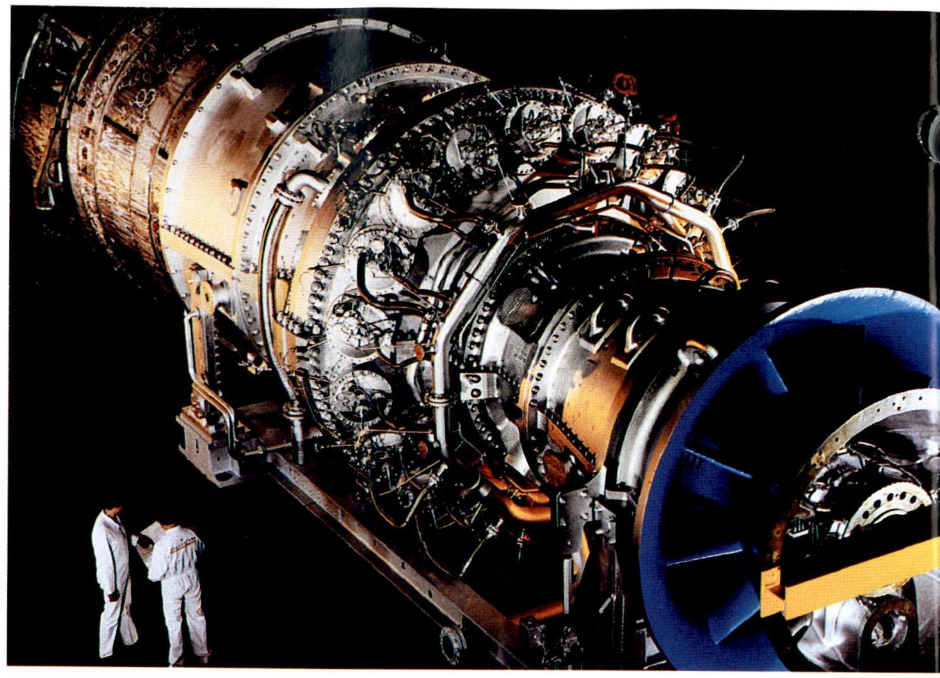
John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer

Paolo Fresco
Vice Chairman of the Board
and Executive Officer

February 12, 1993

GE Innovation

GE's new culture is unleashing an outpouring of ideas. Individuals from every level are making contributions in broader areas than ever before. Whether it's a single employee finding a simple way to solve a customer's knotty problem or technical teams creating the billion-dollar opportunity of tomorrow, GE is seeing a surge of innovation — as represented by the photos on these pages.

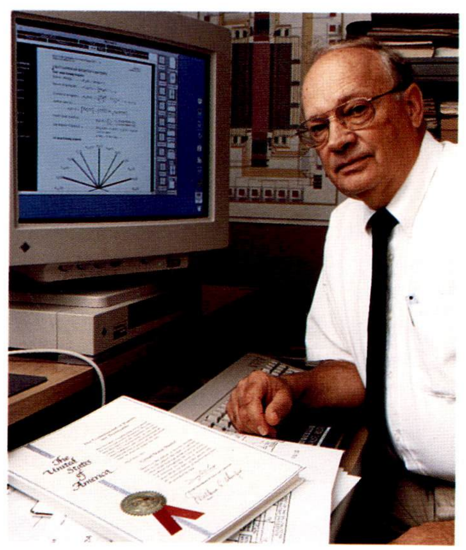


The 9F, the world's most powerful gas turbine, continues GE's record of innovation in power generation technology. Its higher firing temperature means greater fuel efficiency. And its record output, efficiency and reliability have made the 9F a main ingredient in advanced combined-cycle power plants.

GE Aircraft Engines has developed a low-emission, dual-annular combustor, a key element in what soon will be the cleanest burning jet engines. Based on technology from NASA's Energy Efficient Engine program, the new combustor design has been incorporated into the super-high-thrust GE90, which will enter service with British Airways in 1995, and into the CFM56-5B, which will enter service with Swissair and Austrian Airlines the same year. Here, Roger DeBruler of GE prepares a combustor for component testing.

Clarence Garver, an employee in the locomotive business, found a simple solution to a customer problem, thereby avoiding a costly redesign. His idea, called a "switching step observation system," was to use a small forward-facing mirror in conjunction with the standard side-view mirror to give locomotive operators a clear view of the front of the locomotive. A patent is pending for the idea.

Dr. Angelika Clark (left) and Dr. Eileen Walsh, shown here in the Valox® resin development lab, developed Heavy Valox, a GE Plastics material that is being used in new kitchen countertops recently introduced by Formica Corporation under the Nuvel trademark. Dr. Clark created Heavy Valox sheet and Dr. Walsh created Heavy Valox resin.

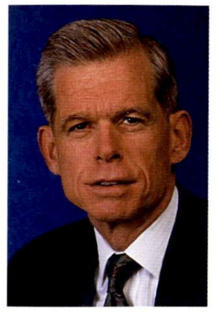


Dr. William E. Engeler, a physicist, has become the newest member of the Research & Development Center's exclusive 100 patent club, putting him in the company of metallurgist turned medical imaging researcher Dr. Harvey Cline (126 patents) and diamond expert Dr. Thomas Anthony (120 patents). Dr. Engeler specializes in ultrasonic imaging and solid state electronics.

Michael Britton, Maria Trinidad and Peter Crandall (left to right) are members of a co-located GE Medical Systems team that developed a new generation of Positron Emission Tomography (PET) scanner. Introduced by GE in 1992, the Advance™ imager above is designed for image quality, patient throughput and ease of use. Physicians use PET images to evaluate a variety of diseases, including cancer and epilepsy.

Aerospace

The combination with Martin Marietta will create a dynamic new company with significant economies of scale.



Eugene F. Murphy
President and Chief Executive Officer, GE Aerospace

1992 was a truly memorable year for GE Aerospace as GE announced, in November, an agreement to combine this business with Martin Marietta, which will make us part of one of the world's largest aerospace electronics concerns.

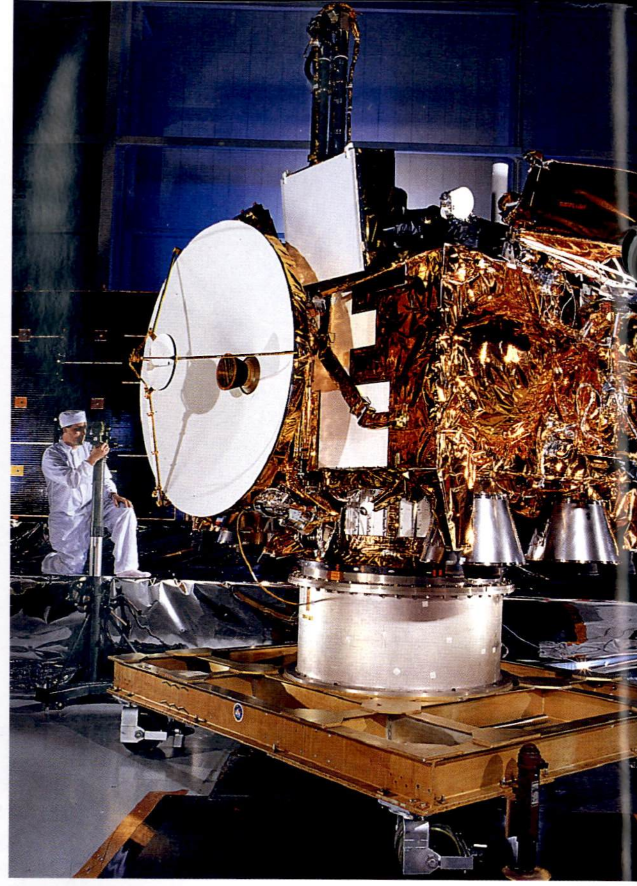
During the year, we produced relatively strong earnings in the face of a declining defense market. Even as demand for defense products decreases, we are winning new business through innovative bids, aggressive cost-reduction and stronger focus on customer needs. Orders and revenues for the entire year declined to $4.1 billion and $5.0 billion, respectively, but our win rate on major programs improved significantly through the third and fourth quarters.

Important wins in 1992 included a research and development contract from the U.S. Marine Corps for its Light Armored Vehicle Air Defense program and a contract from the U.S. Army to produce a man-portable terminal for communicating through the Department of Defense's MILSTAR satellite system. The Marine Corps also selected GE Aerospace to modify and upgrade its solid state radars.

As prime contractor for the U.S. Navy's Aegis air defense system, we shipped the 27th and final system for the Aegis cruiser program. Work continued on the Aegis destroyer program with nine systems delivered and 13 in backlog at year end. We also have contracts to deliver two systems to the U.S. government for use by Japan's maritime self-defense force. A system for the first Japanese Aegis ship already has been delivered. We also won a contract to produce 18 Aegis directors.

Other significant 1992 developments included contracts from NASA and the Department of Defense to design, build, launch and operate the Landsat 7 Earth Observation Satellite and from Echostar Satellite Corp. to provide a satellite for direct-to-home television programming.

We also strengthened our global presence with key wins in international defense and space markets, including a contract for flight control systems to the government of India and another for five solid state radars to Germany. Asia Satellite Telecommunications selected us to build its next-generation communications satellite, and NHK (Japan Broadcasting Corp.) awarded us a contract to supply a direct-broadcast satellite.



GE Aerospace designed and built this Mars Observer spacecraft, which was launched on a Martin Marietta Titan III launch vehicle for a 1993 rendezvous with Mars.

After the successful launch of INTELSAT-K, a GE-built communications satellite operated by the International Telecommunications Satellite Organization, we were awarded a contract for two INTELSAT VIII satellites for video and broadcast services. Another 1992 highlight was the successful launch of the Mars Observer spacecraft, built by GE for NASA. It will study Martian geology and climate and will map the planet's surface.

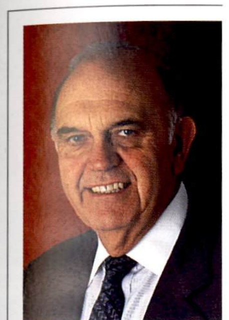
Design-to-cost/price-to-win techniques and continued reduction of total costs were important factors in several wins. Process improvement and engineering productivity initiatives contributed to 6.5% productivity across our business. To reduce costs and enhance competitiveness, we eliminated three million square feet of floor space, reduced our work force by 5,300 positions and concentrated more of our manufacturing investment in two advanced electronics facilities.

The combination with Martin Marietta is expected to close in the first half of 1993. This transaction will create a dynamic new company with leading research and development skills, significant economies of scale, and enhanced capability to compete successfully in the global aerospace and defense marketplace. GE will retain a substantial equity interest in the new company.

See note 2 on page 46 for more information about the transaction with Martin Marietta.

Aircraft Engines

We are addressing the current market situation with a continued emphasis on customer satisfaction.

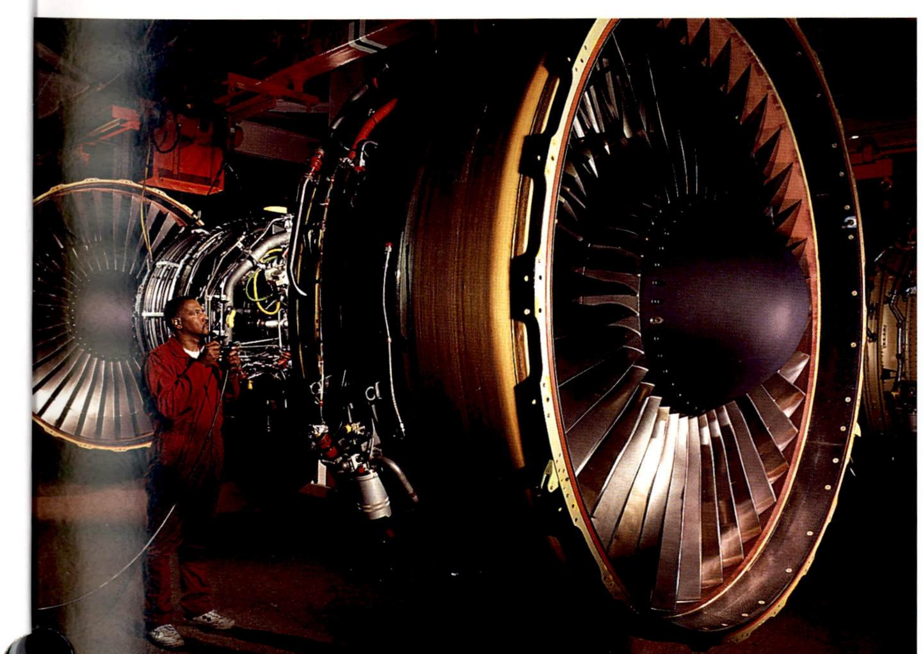


Brian H. Rowe
President and Chief Executive Officer, GE Aircraft Engines

1992 was a tough year for the airline industry worldwide, leading to a significant decline in new aircraft orders as well as cancellations and deferrals of previous orders. Additionally, airlines have reduced engine spare parts purchases, which, when coupled with a continued downturn in procurement by the U.S. Department of Defense, resulted in a reduction of GE Aircraft Engines revenues and earnings from 1991 levels.

We are addressing this market situation with a continued emphasis on customer satisfaction through speed and quality. All efforts are focused on closer contact with our customers for greater responsiveness. We have concentrated our resources on shrinking the order-to-delivery cycle, which has resulted in significant improvement in inventory turns. In addition, we are consolidating our manufacturing operations and improving processes to enhance efficiencies and continue reducing costs. As a result, we are positioning ourselves well to assure the flexibility of operation needed as market demands continue to change in the future.

Over the past four years, GE Aircraft Engines and CFM International, our 50/50 joint company with SNECMA of France, have manufactured more than 48% of the new commercial aircraft engines delivered for aircraft of 100 or more passengers, thus ensuring an excellent spare parts base for the future. While new firm orders for commercial aircraft fell by 35% worldwide in 1992, GE and CFMI still captured the greatest share of the market, with 50% of the orders placed. GE experienced a large measure of success in military competitions, with major wins in Finland, Canada and Turkey. Moreover, the U.S. Navy awarded GE a $741 million development contract for the F414 engine to power its planned F/A-18 E/F Hornet aircraft.



Virgil Lovett of GE Aircraft Engines inspects a CF6-80C2 high-bypass turbofan, the world's best-selling engine for today's long-range, widebody aircraft.

We also are well positioned with a full range of products for current and future applications. In 1992, the core of the GE90 made its initial run; performance was as predicted; and we will test the first complete engine in 1993. The anticipated environmental leader in noise and emissions control for the Boeing 777, the GE90 is the result of a boundaryless effort among our engineering, manufacturing, marketing and sourcing people, along with our suppliers and revenue-sharing participants: SNECMA, IHI and FiatAvio. Current GE90 customers are British Airways, Lauda Air, International Lease Finance Corp. and Eurolair.

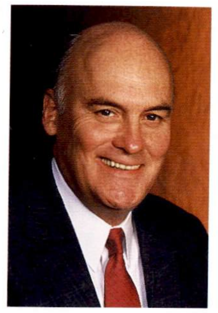
The CFM56-5C completed its flight certification on the Airbus A340 prior to the aircraft's first delivery in February 1993.

During 1992, we settled civil and criminal charges relating to U.S. military aid funds that were improperly diverted at the direction of a high-ranking Israeli Air Force general and a GE Aircraft Engines marketing manager, who was subsequently discharged. This incident was used in GE Aircraft Engines — and across the Company — as a sharp reminder that integrity is at the foundation of the Company and must never be compromised.

GE Aircraft Engines, along with our revenue-sharing program participants and suppliers, is continuing to work actively with our customers to anticipate their needs and add value to their overall operations. At the same time, we are continuously improving our cost structure to maintain our competitiveness in this industry.

Appliances

Our vision is to become one team — better and faster than anybody else in the world.



J. Richard Stonesifer
President and Chief Executive Officer, GE Appliances

In a highly competitive industry, GE Appliances ended 1992 with improved results. While operating profit was down slightly due to cost/price pressures and significant investment in new products and services, our revenues, net earnings and productivity increased. Concurrently, we devoted more resources to the development of a strategy designed to enhance profitability and growth.

We're changing our internal processes, with the ultimate goal being increased productivity and improved performance. These process changes are allowing us to react with greater speed to marketplace demands. Through Quick Response, we've been able to reduce inventory dramatically while improving product availability. Another process, Quick Market Intelligence, is designed to gather real-time marketplace information and funnel it back through the business to drive sales and marketing decisions and bring us closer to our customers. We've also enhanced GE Consumer Service by offering consumers in selected markets the convenience of evening and Saturday service as well as a "same day/next day" service guarantee.

Another element of our strategy is our new supplier initiative program. Through this initiative, we're challenging our suppliers to generate more productivity in their factories, as we are doing in ours. By offering engineering assistance and planning support to help them reach their goals, we're working to create a win-win situation for both GE and our suppliers.

New Product Introduction, a process improvement effort that began in 1991, is resulting in decreased cycle time in the design, manufacturing and marketing of our products. We developed more than 300 new product models for introduction in 1992 and 1993, including our new Profile™ line of appliances aimed at the kitchen remodeling segment. Other strong introductions were new electric range models with "lift-tops" for easy cleaning and the latest in the Monogram® line of premium appliances: refrigerators with "flush" panels that virtually disappear into surrounding cabinetry.

Many of these process improvements and new product developments, which are vital to our future growth, could not have been made without changing the way we work together as people. Underlying all of these programs is our belief that soft issues drive hard results. Through the Work-Out process, we're changing the culture at GE Appliances, knocking down barriers between functions and creating a boundaryless organization in which all employees are valued for their contribution to the business. In 1992, we put added emphasis on culture change, focusing on cultural diversity and leadership development.

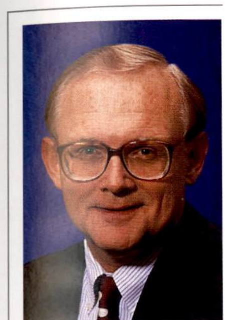
To complement these initiatives and further enhance growth, we're preparing our employees to operate in an increasingly global business environment. To date, our globalization effort has resulted in numerous manufacturing and distribution joint ventures around the world. These alliances serve to augment profitability and our strong export sales network. We are in continual pursuit of new opportunities in high-growth global markets and hope to consummate additional alliances in the coming year.

Driven by our vision to become one team — better and faster than anybody else in the world — we are positioned for future growth and enhanced profitability through quicker, more flexible processes; market-driven new products; an open, boundaryless business culture; and strong, growing alliances in the global marketplace.

Part of the new Profile™ line of stylish, high-quality appliances from GE, this side-by-side refrigerator is a genuine hit with its Smart Space™ interior design.

Capital Services

Our 22 niche businesses fill customer needs for higher value in these competitive times.



Gary C. Wendt
Chairman, President and Chief Executive Officer, General Electric Capital Services, Inc.

GE Capital Services (formerly GE Financial Services) experienced another year of strong earnings growth while expanding our reach to meet the global opportunities of the 1990s.

Earnings for 1992 rose to $1.5 billion, an 18% increase over the prior year, primarily as a result of portfolio growth, improved financing spreads and sharply improved results at Kidder, Peabody. We continued to expand our assets with acquisitions totaling nearly $5 billion.

Our focus on value, service and productivity, combined with unsurpassed capital strength, offers customers the advantages of dealing with a large company, while our 22 highly focused niche businesses provide the access, flexibility and responsiveness of a small business.

These 22 niche businesses provide services in five broad areas:

Specialty insurance represented 33% of GE Capital Services' net earnings in 1992. Through reinsurance, private mortgage insurance and municipal bond insurance, we provide $135 billion of added insurance coverage worldwide, make it possible for close to one million moderate-income families to own their own homes, and support the financing of infrastructure improvements from airports to water treatment plants.

- Employers Reinsurance
- Financial Guaranty Insurance
- Mortgage Insurance

Consumer services made up 20% of our net earnings. Through direct distributors such as retailers, auto dealers and mortgage originators, we bring good things to the lives of 61 million private-label credit card holders on two continents, over 400,000 auto owners and 257,000 home owners. In partnership with 27 major retailers and service providers such as Toys "R" Us, Kmart and Macy's, we introduced the GE Rewards MasterCard.

- Auto Financial Services
- Retailer Financial Services
- Mortgage Servicing

Specialized financing, which includes securities broker-dealer activities, was 17% of net earnings. By financing enough power plants to illuminate the city of New York, state of Wisconsin or nation of Thailand, by becoming the premier issuer of mortgage-backed securities, by guiding companies through restructurings and reorganizations, and by helping the Resolution Trust Corporation dispose of properties from failed savings and loans while designating more than 2,500 units for low- and moderate-income family housing, we have become recognized as a sophisticated participant in U.S. capital market activities.

- Kidder, Peabody
- Transportation and Industrial Funding
- Commercial Real Estate
- Corporate Finance Group

Introduced in 1992, the GE Rewards MasterCard offers a variety of high-value rebates and savings to consumers.

Equipment management accounted for 16% of our net earnings. As owners, operators or managers of 620,000 cars and vans, 140,000 railcars, 60,000 over-the-road trailers, more than 500 commercial aircraft and 830,000 ocean-going containers, we are a leader in meeting our customers' transportation needs.

- Fleet Services
- Railcar Services
- Polaris Aircraft
- Genstar Container
- Transport International Pool (TIP)
- Modular Space
- Computer Services
- Penske Truck Leasing

Mid-market financing was 14% of our net earnings. Providing flexible financing products directly to 23,000 customers while offering complete sales support financing to companies such as Kodak, Abbott Labs and Du Pont has made GE Capital Services a preferred name in the funding of equipment used in all modes of industry.

- Commercial Equipment Financing
- Vendor Financial Services
- GECC Hawaii
- Computer Leasing

Internationally, we've extended our high-value products to other parts of the globe through acquisitions or joint ventures. Our partners include BBV, Spain's second largest bank; United Merchant Finance, one of Hong Kong's leading installment finance companies; the financial services arm of Malaysia's United Motor Works; and the leasing, factoring and warehousing subsidiaries of Mexico's Serfin Financial Group.

For the future, we're positioned to capitalize in U.S. and global markets with a proven financial and business services strategy — helping our customers succeed.

Industrial and Power Systems

Clear technology leadership across our major product lines is driving our success in an expanding global market.

David C. Genever-Watling
President and Chief Executive Officer, GE Industrial and Power Systems

GE Industrial and Power Systems delivered a strong earnings increase on record revenues of nearly $6.4 billion in 1992, led by our power generation business, which captured the leading share in an expanding global market and received several breakthrough orders from Europe, Southeast Asia, the People's Republic of China and Mexico.

Clear technology leadership across our major product lines drove the 1992 orders success, with GE's "F" technology gas turbine designs breaking world records for in-service output and combined-cycle efficiency. A major highlight for "F" technology is Korea Electric Power's 2,000-megawatt Seoinchon combined-cycle plant, which went into commercial service in 1992 and is currently the most efficient power plant in the world.

Several other businesses saw technology-driven successes in 1992. In steam turbine, recent improvements in efficiency, combined with our number-one rating among global competition for U.S.-based in-service reliability, were factors in our retaining our leading global market share. GE Nuclear Energy maintained its strong reload fuel backlog in 1992 with major new orders from Philadelphia Electric and Illinois Power, while GE Drive Systems received large orders from the People's Republic of China and Mexico. In transmission and distribution, U.S. utilities showed continued preference for GE technology in two segments where we maintained strong U.S. market leadership positions: series compensation systems and amorphous transformers. 1992 also saw the first commercial demonstration, at Mississippi Power and Light, of the UCnet™ system, a new remote electronic metering system co-developed with Ericsson/GE Mobile Radio.

In 1992, we continued an aggressive program of strengthening our global reach by expanding our Asia/Pacific operations to focus on the high-growth opportunities present in both the People's Republic of China and Taiwan. In addition, we increased our European presence by redeploying resources to high-growth regions and by appointing a regional executive and establishing strong local operations.

We also expanded our network of partners during 1992, emerging as a leading global player in hydro-turbine technology through two new alliances in Austria. We strengthened our coverage in Germany through the addition of a new steam turbine business associate, and our presence in Japan has been enhanced through the expansion of existing agreements with Hitachi and Toshiba.

Going forward, our power generation business is well positioned to capitalize on a growing market. A program to increase manufacturing capacity for gas turbines will be completed in 1993, and we are realizing significant reductions in production cycle times for both new units and parts.

Finally, as 1992 closed, GE Power Generation received certification to the ISO 9000 series of international quality system standards, both a recognition that our business has a strong foundation on which to build a quality management system as well as a major step toward our goal of building a culture of high involvement and continuous improvement across the business.

Equipped with eight GE 7F gas turbines in combined-cycle mode, the 2,000-megawatt Seoinchon plant near Seoul, Korea, is the world's most efficient power plant.

Lighting

We are rapidly expanding our presence in the world's most populated regions.

John D. Opie
President and Chief Executive Officer, GE Lighting

1992 highlighted continuous change for GE Lighting: rapid expansion of our presence in the world's most populated regions; exciting new products that improve the quality of light as well as the world's environment through energy efficiencies; new technologies and processes for manufacturing; and innovative customer service programs.

The year also was a period of consolidation as we brought together our strategically important Tungsram, Thorn and GE Lighting European interests toward taking a lead role in Europe.

In the face of a weak worldwide economy and increasing price pressure, GE Lighting grew sales, principally through global expansion, and generated modestly improved earnings.

A joint venture was established in Japan, combining the technology strengths of GE Lighting and Hitachi with Hitachi's extensive Japanese distribution network. The Hitachi GE Lighting Ltd. partnership will allow us to consolidate our Japanese sales and distribution into an organization designed to market, sell and distribute both companies' lighting products in the rapidly growing $2 billion Japanese lighting market.

Further accelerating this international sales momentum, we expanded our distribution in Mexico, New Zealand, Korea, Singapore and Taiwan.

Participation in India's $200 million lamp market was enhanced with the creation of GE Apar Lighting Private Ltd. This joint venture will combine Apar's existing incandescent, fluorescent and high intensity discharge lamp manufacturing plants and 14 sales offices with GE's technology skills and full product line to serve India's growing consumer and commercial markets.

While implementing this global expansion, we continued our emphasis on costs and factory efficiencies, generating 8% total cost productivity. This ongoing attention to productivity — a business-wide mindset — was achieved principally through program investments and the involvement, through Work-Out, of multifunctional teams in all areas and locations of the business. These "Speed of Light" employee empowerment programs brought significant gains in cycle-time reductions to both manufacturing processes and new product development.

We also continued our emphasis on customer service, rapidly increasing our use of electronic data interchange programs beneficial to both GE Lighting and our customers. These programs provide a paperless exchange of business information, allowing GE Lighting to maintain instant communications with our customers to meet their varying needs.

The ability of our business to serve a rapidly changing marketplace was enhanced by increased investments that generated many new products during 1992. They included key energy-efficient additions, such as compact fluorescents, T8 fluorescents, Halogen-IR™ spotlights and floodlights, and Compact Directional spotlights. These new products are designed to increase revenue in the future and help ensure that GE Lighting continues to be the leading lamp manufacturer in the world.

Linda Blair of GE Lighting inspects T8 energy-efficient fluorescent lamps made in the Bucyrus, Ohio, lamp plant, the world's largest producer of fluorescent lamps.

Medical Systems

Through value innovation, we offer our customers both clinical and economic performance.

John M. Trani
President and Chief Executive Officer, GE Medical Systems

GE Medical Systems posted record revenues and earnings despite slow growth in the medical equipment marketplace. Though political and economic uncertainties constrained U.S. and European results, strong contributions from Asian and Latin American business operations helped us maintain our leading share position in diagnostic imaging equipment.

In the United States, Europe and Japan, pressures on budgets are forcing health care providers to control costs more closely, thus slowing medical equipment expenditures, restraining the spread of new technologies and amplifying demands for improved productivity. But in the expanding economies of Asia and Latin America, health care spending is growing strongly.

In this environment, GE's priorities are faster customer responsiveness, global expansion, value innovation and greater competitiveness through productivity and people. Customer responsiveness is the first priority. Our customer satisfaction process of detailed surveys combined with a focused customer satisfaction team has produced growing satisfaction levels and helped identify new offerings, such as enhanced training programs and a broader range of financial services.

Global expansion included establishing a direct sales and service organization in Mexico and a new joint venture in Argentina. In Asia, our joint ventures in Japan, India, South Korea and China continued to generate positive results.

Value innovation, our strategy of providing the latest innovations at all price levels, allows our customers to benefit from clinical performance and economic value. The GE Continuum™ program, for example, gives current and future customers an equipment upgrade path to maintain the latest performance standards at low cost.

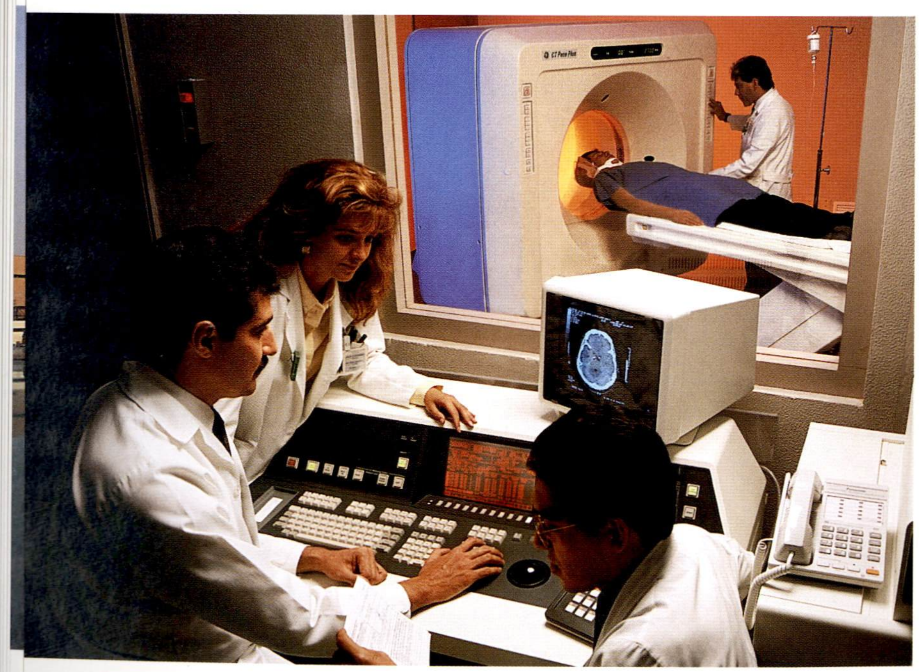
Our value innovation strategy also is evident in our unique InSite™ service capability, which allows GE engineers to diagnose and, in many cases, repair system problems over the telephone. Repair times can be reduced dramatically.

Value innovation boosts GE competitiveness by creating a family of products covering key market segments. In computed tomography, new Sytec™ 6000/8000 slip-ring systems provide cost-effective alternatives to our premium-performance CT HiSpeed Advantage™ system. Similarly, new Vectra™ mid-field magnetic resonance scanners deliver GE technology and performance in a high-value package to complement the premium Signa® family.

GE's clinical advances also reflect the benefits of value innovation. For example, the new Senographe™ DMR mammography system offers dramatic diagnostic improvements and higher levels of productivity.

Our competitiveness also was strengthened by continued gains in productivity, speed and globalization. A new global process for logistics will eliminate unnecessary stocking points and associated inventories. In the field, decision making was accelerated by the creation of local customer teams — sales and service professionals empowered to support customer needs locally.

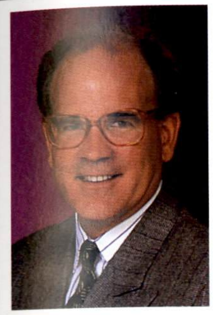
Through the dual thrusts of growth and competitiveness, GE Medical Systems will continue to pursue our goal of cost-effective health care for patients worldwide.



GE is the leading supplier of advanced imaging equipment to hospitals and clinics worldwide, such as this CT Pace Plus™ system in Mexico City.

NBC

Our new programs are targeted at the younger audiences favored by advertisers.



Robert C. Wright
President and Chief Executive Officer, National Broadcasting Company, Inc.

The National Broadcasting Company's 1992 revenues were up over 1991. However, continued weakness in the advertising marketplace and the impact of the Summer Olympic Games negatively affected 1992 results.

Earnings did increase in the Stations division, which posted improvements in five of NBC's six owned and operated TV stations (serving the major markets of New York, Washington, Los Angeles, Denver, Miami and Chicago). Earnings also improved in NBC's Cable operations, which achieved their first full year of profitability.

Despite these successes, NBC's 1992 earnings fell short of 1991, a year that included the significant gain from the sale of our interest in RCA Columbia Home Video.

After several years as America's number-one network, NBC ended the year in the number-three position in overall household ratings. We replaced several of our longtime, high-cost prime-time shows with new programs targeted at the younger audiences favored by advertisers. This move enabled NBC to mitigate the decline in key demographic groups normally associated with diminished household ratings. We also received more Emmy nominations than any other network in 1992, winning 30 for prime-time, news, sports and daytime programming.

NBC News improved its operating results significantly in 1992 and expects continued growth in 1993. Our news programming has increased from 19 hours each week in 1988 to more than 70 hours a week currently. In addition, the NBC News Channel, an around-the-clock newsfeed service for NBC's 211 affiliated stations, is now fully operational.

The revitalized "Today" show experienced the largest year-to-year growth of all network morning news shows, increasing its household rating by more than 11% and finishing the year only one-tenth of a rating point away from first place. The "Today" format has been expanded to seven days a week. In addition, NBC News launched "Dateline," a prime-time news magazine show with Jane Pauley and Stone Phillips, which is drawing the highest concentration of young adults among its magazine-format competitors.

The 1992 Summer Olympics represented a major achievement for NBC Sports, with its broadcast coverage receiving wide critical and popular acclaim and generating enhanced viewership for the network overall.

NBC's coverage of the NBA, featuring sportscasters Mike Fratello (left) and Marv Albert, has continued to draw increased audiences during the past three years.

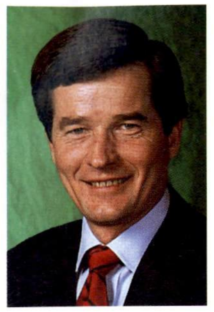
Our rights partnership with the National Basketball Association proved highly successful, generating income within a poor market for sports programming. In this regard, an additional write-down was recognized for NBC's future NFL football rights commitments due to this weakened sales environment.

Our three-year-old Cable and Business Development division achieved profitability in 1992, led by the performance of the wholly owned CNBC, which is now fully merged with the Financial News Network. Other established NBC cable positions include equity stakes in Arts and Entertainment, Court TV, American Movie Classics, Sports Channel America and regional Sports Channels across the United States.

While significant growth is not expected in the advertising sales marketplace for 1993, maintaining demographic ratings — together with continued strides in cost-efficiency — provides an improved earnings outlook for the coming year. Further improvements in the core broadcast business, as well as other revenue initiatives geared to a rapidly changing industry, position NBC for strong long-term performance.

Plastics

Productivity reached a near-record 8%, contributing to our dramatic turnaround.



Gary L. Rogers
President and Chief Executive Officer, GE Plastics

GE Plastics' earnings rose sharply in 1992, driven by near-record 8% total cost productivity, lower rates of inflation and interest, and much improved cash flow. Our high productivity was achieved through increased volume, tight cost control and production efficiency gains.

Revenues increased only slightly as intense competitive pressure on prices more than offset the effects of modestly higher overall volume. Our focus on Quick Response yielded a 30% reduction in order-to-delivery times and a 10% improvement in inventory turns.

Led by strong double-digit volume increases in four significant geographic regions — the United States, Southeast Asia, and the emerging markets of China and Mexico — we strengthened our worldwide leadership in engineering resins, realizing 9% volume growth in this key family of products despite a soft U.S. economy, a recession in Europe and intense competitive pressures.

Major improvements in cash management increased cash flow by nearly $850 million, driven by sharply reduced capital expenditures, higher earnings and improved working capital turnover.

GE Plastics is increasing its visibility in China. Here, toddlers at a day care center in Guongdong province give thumbs up to milk bottles made of Lexan® resin from GE.

We also are striving to achieve "Best-in-Class" customer satisfaction. For example, when the Noryl® resin team in Selkirk, N.Y., was faced with quality and production issues affecting customer satisfaction, a new organization was established to respond quickly. Results were impressive: a 20-fold decrease in product defects, a 35% decrease in manufacturing lead times and an effective capacity increase of more than 20%.

Employees worldwide received total quality training as all aspects of service were benchmarked with customers. So far, 75% of our manufacturing sites have achieved certification to the ISO 9002 global quality standards; the remainder are scheduled for 1993 certification. New product introduction cycles have been halved, and an extensive customer productivity program is estimated to have saved customers more than $20 million — as measured by them.

Polymerland, our wholly owned resin distribution business, enjoyed its second straight year of record growth in sales and earnings. Establishing Polymerland subsidiaries in key European countries is expected to fuel growth there and to provide customers with immediately available resins.

We made three new investment initiatives in 1992: a plant in India to respond to an emerging market for consumer goods; a plant in Singapore to provide Southeast Asian customers with sharply reduced order-to-delivery times; and a plant in Cartagena, Spain, to increase capacity of our fastest-growing product, Cycoloy® resin.

In 1992, as a result of improved processes and continued investment, we achieved our ambitious five-year environmental goal of reducing air emissions by 75% at our U.S. plants. Our environmental stewardship extends beyond manufacturing as we work with customers to expand polymer recycling opportunities.

In another market, silicones sales and earnings advanced at good rates due to strong Pacific demand and solid growth in the United States.

GE Plastics is well positioned for continued growth in 1993, driven by a recovery in the U.S. economy and continued penetration of emerging markets in South Asia and Mexico. Continued high productivity and reduced cycle times are likely to offer significant earnings leverage.

Electrical Distribution and Control

Productivity, speed, globalization and customer focus are driving our growth.

Lloyd G. Trotter
President and Chief Executive Officer, GE Electrical Distribution and Control

Tony Randolph of GE and Deb Heaslip from Honeywell's MICRO SWITCH division train each other on products being sold through the new joint venture.

GE Electrical Distribution and Control had lower earnings on slightly higher revenues in 1992. As markets began to recover from 1991 levels, we kept our focus on delivering superior customer value while driving productivity, growth and speed.

Productivity of 5%, along with a reduction in working capital, enabled us to partially offset the impact of intense price competition and cost inflation. Suppliers joined in a team approach to improving productivity.

To achieve growth, GE Electrical Distribution and Control and Honeywell's MICRO SWITCH division formed a creative venture through which both businesses jointly sell and distribute complementary factory control products.

To grow in Europe, our Eurolec operation acquired both Lemag and Agut S.A. of Spain, enhancing our product offering in residential distribution and industrial control markets.

We also achieved 25% revenue growth overall in South America, Mexico and the Far East through intensified marketing and sales efforts.

GE Fanuc, our joint venture with FANUC Ltd. of Japan, expanded our presence as a global supplier of factory automation products and services. We earned key orders from international automotive customers, opened sales offices in Latin America and laid a foundation for growth in China and Indonesia.

In 1993, we will leverage the creativity and diversity of our people to achieve growth in our increasingly competitive marketplace.

Information Services

Boundaries go down and productivity goes up as companies use electronic commerce.

Hellene S. Runtagh
President and Chief Executive Officer, GE Information Services

GE's Christine Grossmann and Paul Benchener of Levi Strauss & Co. test the LeviLink™ electronic commerce system that benefits Levi Strauss & Co. and JCPenney.

GE Information Services, which had another year of strong earnings growth on higher revenues, wins by linking itself with customers in a boundaryless rush toward productivity growth.

We are a world leader in the art and science of electronic commerce: the linking of companies electronically to customers and suppliers, to banks and financial services, to distributors, and to logistics and transportation suppliers. Functional and bureaucratic boundaries are demolished; processes are streamlined; and information flows freely among the participants in a trading community, resulting in increased productivity, speed and decision quality.

As an example, two of our customers, Levi Strauss & Co. and JCPenney, have streamlined their order tracking, reduced their reorder cycle time and achieved optimum inventory levels through our electronic commerce support.

In other cases, the publishing, manufacturing and pharmaceutical industries have formed electronic trading communities, supported by GE Information Services, to reduce administrative costs and speed decision making.

Our support of electronic commerce would not be possible without our global team of information professionals. They are on the leading edge of the tactics and technology that are enabling us to deliver productivity and success to 12,000 trading partners in the emerging post-mainframe era. They have made GE Information Services the world's largest comprehensive electronic commerce services supplier.

Motors

We have a bright new attitude that keeps the focus on speed, quality and productivity.

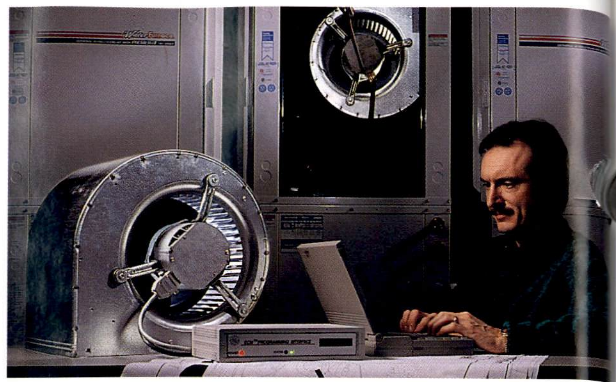
James W. Rogers
President and Chief Executive Officer, GE Motors

GE Motors delivered a much improved earnings performance in 1992 on a very modest increase in revenues. We also achieved 6% total cost productivity, significant reductions in order-to-delivery cycles, improved customer quality levels and a sevenfold improvement in operating cash flows.

This success is attributable to the work of highly energized, cross-functional performance teams focused on specific market opportunities and business processes. These teams, and a growing spirit of involvement and acceptance of change among our employees, have kept the business focused on speed, quality and productivity, which has enabled us to serve the rising expectations of our customers and counter the advances made by formidable competitors.

We have launched a lineup of new energy-efficient products to help customers in both industrial and commercial markets meet current and pending regulatory requirements. Our new ECM™ programmable motor for heating and air conditioning applications is a significant breakthrough for OEM customers. The motor is 20% more efficient than regular induction motors and can be programmed after assembly to serve many applications, thereby dramatically reducing our customers' cycle times and inventory requirements.

Achieving continuous productivity through new products, new processes and involved people will be our key to sustained profitable growth in the 1990s. We are an old business with a bright new attitude.



Brian Beifus of GE programs the memory chip inside a new ECM™ motor for use in a geothermal heat pump unit made by WaterFurnace.

Transportation Systems

We set out on a global quest for markets and orders ... and we found both.

Robert L. Nardelli
President and Chief Executive Officer, GE Transportation Systems

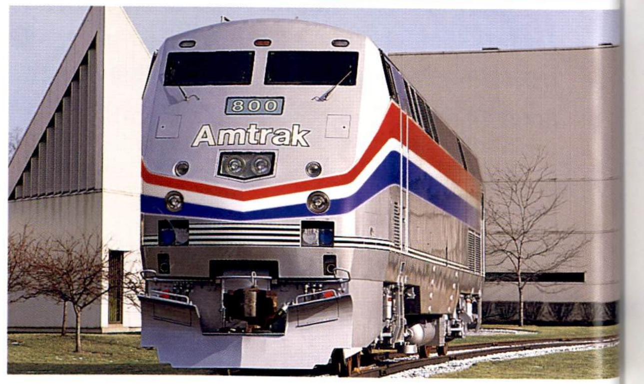
Finding new business around the globe, along with continued success in the United States, drove an energized GE Transportation Systems in 1992.

Adopting a mindset that there is growth in mature businesses, our teams set out on an aggressive global quest for markets and orders. We found both, and while financial performance lagged behind 1991, it was better than expected, and we have the momentum, morale and positioning for an excellent 1993.

GE marketing teams grew export locomotive orders 78%, primarily by first-time business with Iran and Uruguay as well as follow-on orders from Mexico and Canada. In the mining truck market, the global view of our sales teams won propulsion systems orders for five new customer mines ranging from Botswana to China.

We solidified our U.S. market leadership with a doubling of our year-end backlog, including a fourfold increase in transit orders and a 24% increase in units under service contract. We produced more than 200 freight locomotives for CSX, Norfolk Southern and Santa Fe.

Through Work-Out, customers, employees, management and union leaders have dramatically increased the exchange of information and ideas and the speed of decision making and action. The results: improved product performance and reliability as well as an unquantifiable, but significant, increase in excitement and confidence across our business.

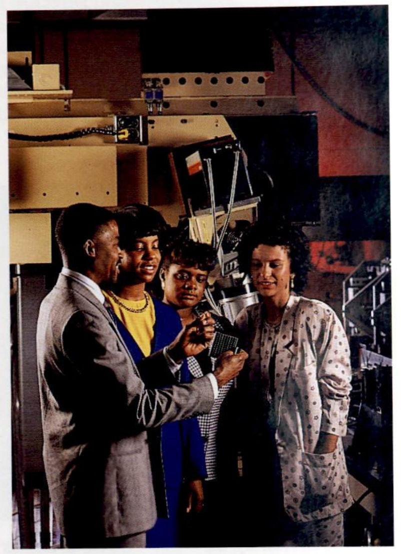


GE has developed innovative new passenger locomotives for Amtrak, which will begin introducing them into service in 1993.

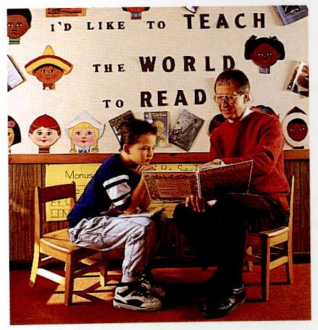
GE in the Community

Thousands of GE people are volunteering their time, talent and energy to make their communities and this world a better place — whether it be as individual mentors working one-on-one with students or as teams coming together to help a worthy cause. Below are five of the many contributions GE people made in 1992.

GE people rushed to the aid of hurricane victims in Florida, Louisiana and Hawaii in 1992, raising more than $750,000 in disaster-relief donations and contributing everything from portable X-ray equipment to tons of food. GE Lighting employees in Ohio, for example, collected and transported more than 16,000 pounds of food to aid victims of Hurricane Andrew.



As part of a regional program to help students pursue engineering careers, Sam Johnson (left) of GE in Wilmington, N.C., explains laser welding to students Lola Troy, Cristel Graham and Melanie Alston.



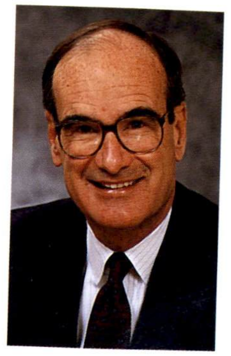
Bob St. Jean is one of many volunteers from GE Plastics who are helping students like Charlie White at the Rayon School in Parkersburg, W. Va., improve their reading skills.

GE Medical Systems received national recognition from the Wildlife Habitat Enhancement Council in 1992 for employee efforts in preserving a native prairie area, restoring woodlands and creating a rearing area for trumpeter swans on its 620-acre site in Waukesha, Wis. Here, Margaret Greb (left) of GE and Maureen Gross of the state's Department of Natural Resources feed pond weeds to one-year-old trumpeter swans.

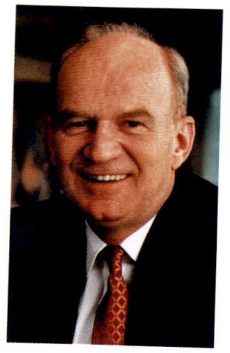
Volunteers from The Elfun Society, an organization of GE leaders, and the Company's R&D Center helped renovate this playground and other day care facilities used by the Carver Community Center in Schenectady, N.Y.

Board of Directors

(As of February 12, 1993)



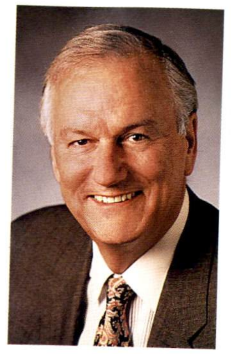
H. Brewster Atwater, Jr.
Chairman of the Board, Chief Executive Officer and Director, General Mills, Inc., consumer foods and restaurants, Minneapolis, Minn. Director since 1989.



D. Wayne Calloway
Chairman of the Board, Chief Executive Officer and Director, PepsiCo, Inc., beverages, snack foods and restaurants, Purchase, N.Y. Director since 1991.

Silas S. Cathcart
Director and retired Chairman of the Board, Illinois Tool Works, Inc., diversified products, Chicago, Ill. Director 1972-1987 and since 1990.

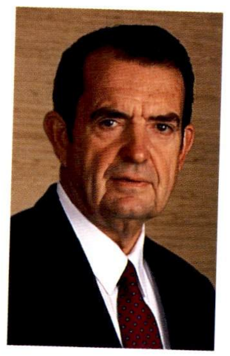
Lawrence E. Fouraker
Former Dean, Harvard Business School, Cambridge, Mass. Director since 1981.



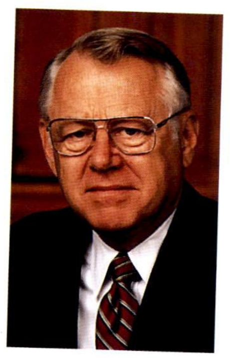
Paolo Fresco
Vice Chairman of the Board and Executive Officer, General Electric Company. Director since 1990.

Claudio X. Gonzalez
Chairman of the Board and Managing Director, Kimberly-Clark de Mexico, S.A. de C.V., and Director, Kimberly-Clark Corporation, paper products, Mexico City, Mexico. Director since 1993.

Henry H. Henley, Jr.
Retired Chairman of the Board, Chief Executive Officer and former Director, Cluett, Peabody & Co., Inc., manufacturing and retailing of apparel, New York, N.Y. Director since 1972.



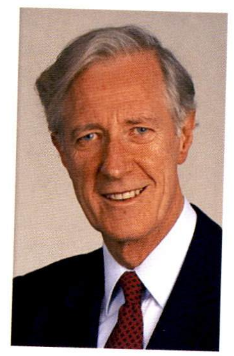
David C. Jones
Retired U.S. Air Force General and former Chairman of the Joint Chiefs of Staff, Washington, D.C. Director since 1986.



Robert E. Mercer
Retired Chairman of the Board and former Director, The Goodyear Tire & Rubber Company, Akron, Ohio. Director since 1984.

Gertrude G. Michelson
Senior Advisor and Director, R.H. Macy & Co., Inc., retailers, New York, N.Y. Director since 1976.

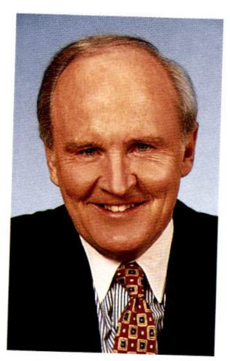
Barbara Scott Preiskel
Former Senior Vice President, Motion Picture Associations of America, New York, N.Y. Director since 1982.



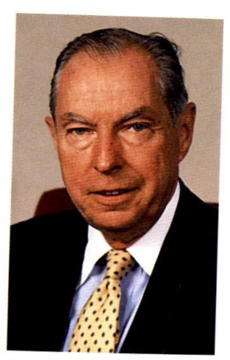
Frank H.T. Rhodes
President, Cornell University, Ithaca, N.Y. Director since 1984.

Andrew C. Sigler
Chairman of the Board, Chief Executive Officer and Director, Champion International Corporation, paper and forest products, Stamford, Conn. Director since 1984.

Douglas A. Warner III
President and Director, J.P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company, New York, N.Y. Director since 1992.

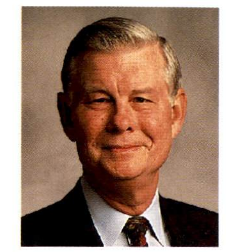


John F. Welch, Jr.
Chairman of the Board and Chief Executive Officer, General Electric Company. Director since 1980.



Walter B. Wriston
Retired Chairman of the Board and former Director, Citicorp and Citibank, N.A., New York, N.Y. Director since 1962.

Douglas A. Warner III and Claudio X. Gonzalez have joined GE's Board of Directors. Mr. Warner, who joined the Board in November 1992, is President and a Director of J.P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company. Mr. Gonzalez, who joined the Board in January 1993, is Chairman and Managing Director of Kimberly-Clark de Mexico, S.A. de C.V.



Edward E. Hood, Jr.

Edward E. Hood, Jr., who had been a GE Director and Vice Chairman of the Board since 1980, retired on February 1, 1993. During his 36-year career with GE, Mr. Hood was a true champion for technology. He helped build the Company's Aircraft Engines and Aerospace businesses and made his mark in the U.S. defense establishment and on the Company's research efforts. He will indeed be missed.

Walter B. Wriston, a GE Director since 1962, will retire from the Board in April. Mr. Wriston is a world-renowned financier, but his intellect and wisdom go far beyond that, encompassing technology, management, public responsibility — any issue that affected GE. Mr. Wriston has been the prototypical activist director — impatient with the status quo, intensely curious, challenging everything and everyone — but he has also been supportive of the Company with a steadfastness and loyalty that will never be forgotten.

During 1992, the Directors held 12 meetings and participated on these committees that aid the Board in its duties.

The *Audit Committee,* consisting entirely of outside Directors, met four times. It reviewed the activities and independence of GE's independent auditors, the activities of GE's internal audit staff, GE's financial reporting process, internal financial controls and compliance with key GE policies.

The *Finance Committee* conducted four meetings. It examined GE's pension funding and trust operations, GE's foreign exchange exposure, airline industry financing and other matters involving large-scale use of Company funds.

The *Management Development and Compensation Committee* held 10 meetings. It approved changes in GE's management, reviewed and approved executive compensation, and administered GE's incentive plans.

The *Nominating Committee,* at its three meetings, reviewed candidates for the Board and recommended the structure and membership of Board committees for the ensuing year.

The *Operations Committee* met five times. Its activities included a review of GE Capital Services.

The *Public Responsibilities Committee* held two meetings at which it evaluated environmental issues and the activities of the General Electric Foundations.

The *Technology and Science Committee* participated in two joint meetings with the Operations Committee, one of which included a review of GE Industrial and Power Systems.

Committees of the Board

Audit Committee
Gertrude G. Michelson, Chairman
H. Brewster Atwater, Jr.
Silas S. Cathcart
Lawrence E. Fouraker
Barbara Scott Preiskel
Frank H.T. Rhodes

Finance Committee
Robert E. Mercer, Chairman
John F. Welch, Jr., Vice Chairman
Henry H. Henley, Jr.
David C. Jones
Frank H.T. Rhodes
Walter B. Wriston

Management Development and Compensation Committee
Walter B. Wriston, Chairman
Silas S. Cathcart
Henry H. Henley, Jr.
David C. Jones
Gertrude G. Michelson

Nominating Committee
Silas S. Cathcart, Chairman
H. Brewster Atwater, Jr.
Henry H. Henley, Jr.
Gertrude G. Michelson
Andrew C. Sigler

Operations Committee
Barbara Scott Preiskel, Chairman
H. Brewster Atwater, Jr.
D. Wayne Calloway
Silas S. Cathcart
Paolo Fresco
Claudio X. Gonzalez
Robert E. Mercer
Andrew C. Sigler
Douglas A. Warner III

Public Responsibilities Committee
Henry H. Henley, Jr., Chairman
John F. Welch, Jr., Vice Chairman
H. Brewster Atwater, Jr.
D. Wayne Calloway
Lawrence E. Fouraker
Claudio X. Gonzalez
Gertrude G. Michelson
Barbara Scott Preiskel
Andrew C. Sigler
Douglas A. Warner III

Technology and Science Committee
Frank H.T. Rhodes, Chairman
Lawrence E. Fouraker
David C. Jones
Robert E. Mercer

Management

(As of February 12, 1993)

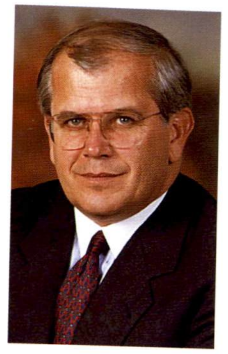
Corporate Executive Officers

John F. Welch, Jr.
Chairman of the Board and Chief Executive Officer

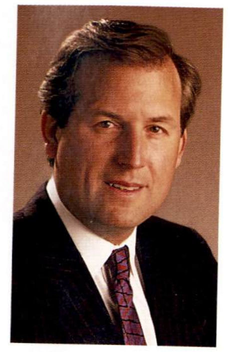
Paolo Fresco
Vice Chairman of the Board and Executive Officer

Frank P. Doyle
Executive Vice President

Senior Corporate Officers

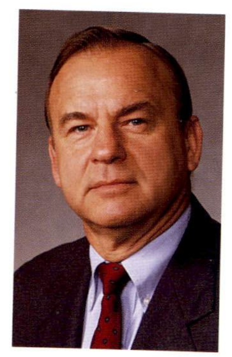


Dennis D. Dammerman
Senior Vice President, Finance



W. James McNerney, Jr.
Senior Vice President; President, GE South Asia Area

Lewis S. Edelheit
Senior Vice President, Research and Development



Jack O. Peiffer
Senior Vice President, Human Resources

Benjamin W. Heineman, Jr.
Senior Vice President, General Counsel and Secretary

Corporate Staff Officers

James R. Bunt
Vice President and Comptroller

David L. Calhoun
Vice President, Audit Staff

Alberto F. Cerruti
Vice President, Mergers and Acquisitions and International Finance

Pamela Daley
Vice President and Senior Counsel, Transactions

Dale F. Frey
Vice President and Treasurer; Chairman and President, General Electric Investment Corporation

R. Michael Gadbaw
Vice President and Senior Counsel, International Law and Policy

Joyce Hergenhan
Vice President, Public Relations

Robert W. Nelson
Vice President, Financial Planning and Analysis

Phillips S. Peter
Vice President, Government Relations

Gary M. Reiner
Vice President, Business Development

John M. Samuels
Vice President and Senior Counsel, Taxes

Edward J. Skiko
Vice President, Corporate Services

Susan M. Walter
Vice President, State Government Relations

Operating Management

(As of February 12, 1993)

Aerospace

Eugene F. Murphy
President and Chief Executive Officer, GE Aerospace

Fred A. Breidenbach
Vice President, Government Electronic Systems

Thomas A. Corcoran
Vice President, Aerospace Operations

James B. Feller
Vice President, Aerospace Technology

Arthur L. Glenn
Vice President, Strategic Programs

Alexander L. Horvath
Vice President, Ocean/Radar and Sensor Systems

William B. Lytton
Vice President and General Counsel

Lawrence R. Phillips
Vice President, Human Resources

Michael A. Smith
Vice President, Astro Space

Robert W. Tieken
Vice President, Finance and Information Technology

Aircraft Engines

Brian H. Rowe
President and Chief Executive Officer, GE Aircraft Engines

Charles L. Chadwell
Vice President, Production

William J. Conaty
Vice President, Human Resources

Henry A. Hubschman
Vice President, Legal

Dennis R. Little
Vice President, Marine and Industrial Engines

Michael D. Lockhart
Vice President, Commercial Engine and Service Operation

Edward C. Bavaria
Vice President, Airline Marketing

Robert G. Stiber
Vice President, Engineering

William J. Vareschi
Vice President, Finance and Information Systems

Dennis K. Williams
Vice President, Military Engine Operations

Appliances

J. Richard Stonesifer
President and Chief Executive Officer, GE Appliances

Scott R. Bayman
Vice President, Marketing and Product Management

Richard L. Burke
Vice President, Purchasing, Technology and Manufacturing

Dennis J. Carey
Vice President, Finance, Business Development and International

David M. Cote
Vice President, Consumer Service

Lawrence R. Johnston
Vice President, Sales and Distribution

Jay F. Lapin
Vice President, General Counsel and Public Affairs

Bruce A. Enders
Managing Director, General Domestic Appliances, Ltd.

Capital Services

Gary C. Wendt
Chairman, President and Chief Executive Officer, General Electric Capital Services, Inc. and General Electric Capital Corporation

Burton J. Kloster, Jr.
Senior Vice President, General Counsel and Secretary

Charles E. Okosky
Senior Vice President, Human Resources

James A. Parke
Senior Vice President, Finance

Stephen Berger
Executive Vice President, GE Capital

Denis J. Nayden
Executive Vice President, GE Capital

Gregory T. Barmore
President and Chief Executive Officer, GE Capital Mortgage Corporation

John C. Deterding
Senior Vice President, Commercial Real Estate Financing

Robert L. Lewis
Senior Vice President, Transportation and Industrial Financing

Edward D. Stewart
Executive Vice President, GE Capital

David D. Ekedahl
Senior Vice President, Retailer Financial Services

Teresa M. LeGrand
President, GE Capital Fleet Services

Thomas S. Case
Chairman, President and Chief Executive Officer, Employers Reinsurance Corporation

Michael A. Carpenter
Chairman, President and Chief Executive Officer, Kidder, Peabody Group Inc.

Industrial and Power Systems

David C. Genever-Watling
President and Chief Executive Officer, GE Industrial and Power Systems

Francis S. Blake
Vice President and General Counsel

Rodger H. Bricknell
Vice President, Power Generation Product Management

Thomas R. Brock, Jr.
Vice President, Industrial Systems and Services

Edwin M. Clemmings, Jr.
Vice President, Finance

Gerald R. Cote
Vice President, Power Generation Production

Dennis M. Donovan
Vice President, Human Resources

Donald M. Kusza
President and Regional Executive, Asia Pacific, Inc.

John M. Lavin
Vice President, Power Delivery

Hugh J. Murphy
Vice President, Power Generation Customer Service

Thomas C. Paul
Vice President, Power Generation Engineering

Steven R. Specker
Vice President, Nuclear Energy

Delbert L. Williamson
Vice President, Industrial and Power Systems Sales

Operating Management

(Continued)

Lighting

John D. Opie
President and Chief Executive Officer, GE Lighting

John E. Breen
Vice President, Technology

James E. Mohn
Vice President, Finance

Charles P. Pieper
President and Chief Executive Officer, GE Lighting Europe

David E. Momot
Vice President, Operations, GE Lighting Europe

George F. Varga
Chairman, Tungsram Company, Ltd.

Robert B. Schwarz
Vice President, North American Production

William A. Woodburn
Vice President, Worldwide Marketing and Product Management

Medical Systems

John M. Trani
President and Chief Executive Officer, GE Medical Systems

Arno Bohn
President and Chief Executive Officer, GE Medical Systems – Europe

Bobby J. Bowen
Vice President, Advanced Technology

James G. Del Mauro
Vice President, Customer Marketing

Thomas E. Dunham
Vice President, Service

John R. Haddock
Vice President, Global X-ray

Göran S. Malm
President and Chief Executive Officer, GE Medical Systems Asia Ltd. and Yokogawa Medical Systems

Richard F. Segalini
Vice President, Production and Sourcing

Robert L. Stocking
Vice President, Sales

NBC

Robert C. Wright
President and Chief Executive Officer, National Broadcasting Company, Inc.

Richard Cotton
Executive Vice President and General Counsel

Dick Ebersol
President, Sports

Michael G. Gartner
President, News

Pierson G. Mapes
President, Television Network

Donald W. Ohlmeyer, Jr.
President, NBC – West Coast

John H. Rohrbeck
President, Television Stations

Edward L. Scanlon
Executive Vice President, Employee Relations

Plastics

Gary L. Rogers
President and Chief Executive Officer, GE Plastics

Nigel D. T. Andrews
Vice President, GE Plastics – Americas

Jean M. Heuschen
Vice President, Americas Technology

Jeffrey R. Immelt
Vice President, Americas Commercial

Robert P. Mozgala
Vice President, Americas Manufacturing

Eugene P. Nesbeda
Vice President, Structured Products, Americas

John B. Blystone
Vice President, GE Superabrasives

Robert H. Brust
Vice President, Finance

Richard U. Jelinek
Vice President, Human Resources

Herbert G. Rammrath
President and Representative Director, GE Plastics Pacific, Ltd.

Frederick A. Shinners
Vice President, GE Silicones

Uwe S. Wascher
Senior Managing Director, GE Plastics – Europe

Electrical Distribution and Control

Lloyd G. Trotter
President and Chief Executive Officer, GE Electrical Distribution and Control

Alan G. Clark
Managing Director, Eurolec B.V.

Robert P. Collins
President and Chief Executive Officer, GE Fanuc Automation North America, Inc.

David M. Engelman
Vice President, International

Information Services

Hellene S. Runtagh
President and Chief Executive Officer, GE Information Services; Vice President and Chief Information Officer, GE

Motors

James W. Rogers
President and Chief Executive Officer, GE Motors

Transportation Systems

Robert L. Nardelli
President and Chief Executive Officer, GE Transportation Systems

GE Supply

Douglas J. Woods
Vice President, GE Supply

International

Ugo Draetta
Vice President and Senior Counsel

Jeffrey P. Gannon
Chairman and Chief Executive Officer, General Electric de Mexico, S.A. de C.V.

W. James McNerney, Jr.
Senior Vice President; President, GE South Asia Area

Steven C. Riedel
Chairman and Chief Executive Officer, General Electric Canada Inc.

Alistair C. Stewart
Vice President, GE Middle East, Africa, Central and Eastern Europe Area

Thomas W. Tucker
President and Chief Executive Officer, GE North Asia Ltd.

Licensing/Trading

Stuart A. Fisher
President and Chief Executive Officer, GE and RCA Licensing Management Operation, Inc. and GE Trading Company

Aerospace Technology

Thomas E. Cooper
Vice President, Aerospace Technology

Environmental Programs

Stephen D. Ramsey
Vice President, Environmental Programs

Marketing and Sales

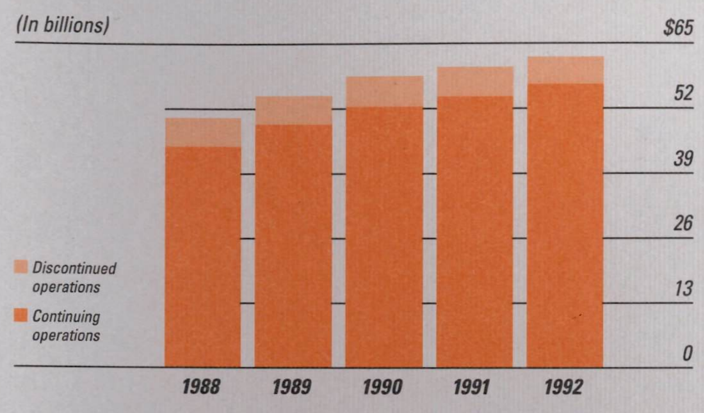
Albert J. Febbo
Vice President, Automotive Industry Marketing and Sales

Henry J. Singer
Vice President, Area Management and Sales

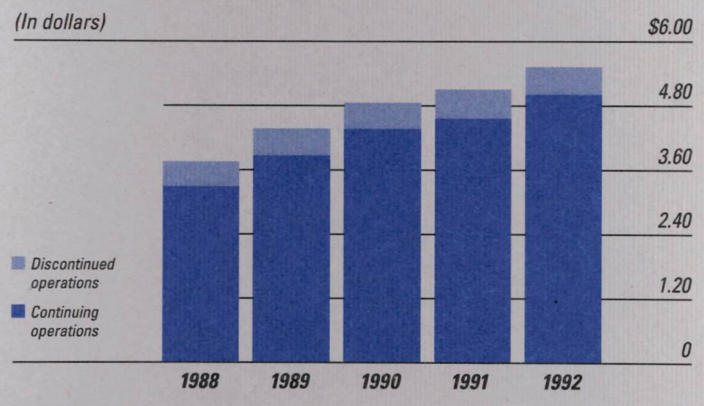
Financial Section

Contents

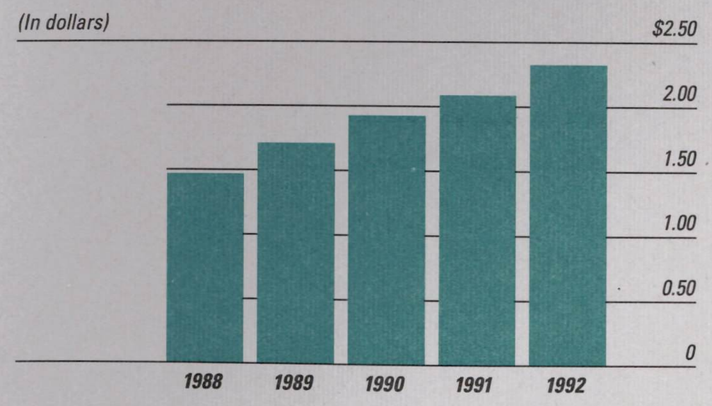
Revenues



Earnings per share before accounting change



Dividends per share



Statement of Earnings

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates			GE			GECS		
	1992	1991	1990	**1992**	1991	1990	**1992**	1991	1990
Revenues									
Sales of goods	**$29,575**	$29,434	$29,158	**$29,595**	$29,446	$29,174	**$ —**	$ —	$ —
Sales of services	**8,331**	8,062	8,064	**8,348**	8,075	8,089	**—**	—	—
Other income (note 3)	**799**	792	686	**812**	798	702	**—**	—	—
Earnings of GECS before accounting change	**—**	—	—	**1,499**	1,275	1,094	**—**	—	—
GECS revenues from operations (note 4)	**18,368**	16,341	14,711	**—**	—	—	**18,440**	16,399	14,774
Total revenues	**57,073**	54,629	52,619	**40,254**	39,594	39,059	**18,440**	16,399	14,774
Costs and expenses (note 5)									
Cost of goods sold	**22,107**	21,498	21,371	**22,127**	21,510	21,387	**—**	—	—
Cost of services sold	**6,273**	6,373	6,198	**6,290**	6,386	6,223	**—**	—	—
Interest and other financial charges (note 7)	**6,860**	7,401	7,394	**768**	893	962	**6,122**	6,536	6,474
Insurance policy holder losses and benefits	**1,957**	1,623	1,599	**—**	—	—	**1,957**	1,623	1,599
Provision for losses on financing receivables (note 8)	**1,056**	1,102	688	**—**	—	—	**1,056**	1,102	688
Other costs and expenses	**12,494**	10,834	9,802	**5,319**	5,422	5,262	**7,230**	5,448	4,577
Minority interest in net earnings of consolidated affiliates	**53**	72	82	**13**	39	41	**40**	33	41
Total costs and expenses	**50,800**	48,903	47,134	**34,517**	34,250	33,875	**16,405**	14,742	13,379
Earnings from continuing operations before income taxes and accounting change	**6,273**	5,726	5,485	**5,737**	5,344	5,184	**2,035**	1,657	1,395
Provision for income taxes (note 9)	**(1,968)**	(1,742)	(1,596)	**(1,432)**	(1,360)	(1,295)	**(536)**	(382)	(301)
Earnings from continuing operations before accounting change	**4,305**	3,984	3,889	**4,305**	3,984	3,889	**1,499**	1,275	1,094
Earnings from discontinued operations, net of income taxes of $248, $259 and $248, respectively (note 2)	**420**	451	414	**420**	451	414	**—**	—	—
Earnings before accounting change	**4,725**	4,435	4,303	**4,725**	4,435	4,303	**1,499**	1,275	1,094
Accounting change — cumulative effect to January 1, 1991, of postretirement benefits other than pensions (note 6)	**—**	(1,799)	—	**—**	(1,799)	—	**—**	(19)	—
Net earnings	**$ 4,725**	$ 2,636	$ 4,303	**$ 4,725**	$ 2,636	$ 4,303	**$ 1,499**	$ 1,256	$ 1,094
Net earnings per share (in dollars)									
Continuing operations before accounting change	**$ 5.02**	$ 4.58	$ 4.38						
Discontinued operations before accounting change	**0.49**	0.52	0.47						
Earnings before accounting change	**5.51**	5.10	4.85						
Accounting change — cumulative effect of postretirement benefits other than pensions	**—**	(2.07)	—						
Net earnings per share	**$ 5.51**	$ 3.03	$ 4.85						
Dividends declared per share (in dollars)	**$ 2.32**	$ 2.08	$ 1.92						

The notes to consolidated financial statements on pages 45-62 are an integral part of this statement. Data for 1991 and 1990 have been reclassified to state separately the results of discontinued operations.

In the supplemental consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. (formerly General Electric Financial Services, Inc.) and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on the preceding page.

Statement of Financial Position

At December 31 (In millions)	General Electric Company and consolidated affiliates		GE		GECS	
	1992	1991	**1992**	1991	**1992**	1991
Assets						
Cash and equivalents	**$ 3,129**	$ 1,971	**$ 1,189**	$ 1,046	**$ 1,940**	$ 925
GECS marketable securities carried at market (note 10)	**24,154**	17,850	**—**	—	**24,154**	17,850
Marketable securities — other (note 11)	**11,256**	7,971	**32**	41	**11,224**	7,930
Securities purchased under agreements to resell	**26,788**	19,402	**—**	—	**26,788**	19,402
Current receivables (note 12)	**7,150**	7,324	**7,462**	7,569	**—**	—
Inventories (note 13)	**4,574**	5,321	**4,574**	5,321	**—**	—
GECS financing receivables (investment in time sales, loans and financing leases) — net (note 14)	**59,388**	55,752	**—**	—	**59,388**	55,752
Other GECS receivables	**8,025**	7,223	**—**	—	**8,476**	7,676
Property, plant and equipment (including equipment leased to others) — net (note 15)	**20,387**	18,332	**9,932**	9,975	**10,455**	8,357
Investment in GECS	**—**	—	**8,884**	7,758	**—**	—
Intangible assets (note 16)	**9,510**	9,026	**6,607**	6,536	**2,903**	2,490
All other assets (note 17)	**16,625**	14,218	**7,505**	6,786	**9,196**	7,432
Net assets of discontinued operations	**1,890**	2,118	**1,890**	2,118	**—**	—
Total assets	**$192,876**	$166,508	**$48,075**	$47,150	**$154,524**	$127,814
Liabilities and equity						
Short-term borrowings (note 18)	**$ 56,389**	$ 51,350	**$ 3,448**	$ 3,482	**$ 53,183**	$ 48,070
Accounts payable, principally trade accounts	**8,245**	7,931	**2,217**	2,207	**6,624**	6,207
Securities sold under agreements to repurchase	**36,014**	28,173	**—**	—	**36,014**	28,173
Securities sold but not yet purchased, at market (note 19)	**11,413**	4,884	**—**	—	**11,413**	4,884
Progress collections and price adjustments accrued	**2,150**	2,356	**2,150**	2,356	**—**	—
Dividends payable	**539**	477	**539**	477	**—**	—
All other GE current costs and expenses accrued (note 20)	**5,725**	5,686	**5,725**	5,686	**—**	—
Long-term borrowings (note 18)	**25,376**	22,681	**3,420**	4,332	**21,957**	18,350
Reserves of insurance affiliates (note 21)	**7,948**	6,291	**—**	—	**7,948**	6,291
All other liabilities (note 22)	**9,734**	9,949	**7,096**	7,597	**2,638**	2,364
Deferred income taxes (note 23)	**4,540**	3,829	**(329)**	(1,023)	**4,869**	4,852
Total liabilities	**168,073**	143,607	**24,266**	25,114	**144,646**	119,191
Minority interest in equity of consolidated affiliates (note 24)	**1,344**	1,218	**350**	353	**994**	865
Common stock (926,564,000 shares issued)	**584**	584	**584**	584	**1**	1
Other capital	**755**	938	**755**	938	**1,868**	1,741
Retained earnings	**26,527**	23,787	**26,527**	23,787	**7,015**	6,016
Less common stock held in treasury	**(4,407)**	(3,626)	**(4,407)**	(3,626)	**—**	—
Total share owners' equity (notes 25 and 26)	**23,459**	21,683	**23,459**	21,683	**8,884**	7,758
Total liabilities and equity	**$192,876**	$166,508	**$48,075**	$47,150	**$154,524**	$127,814

The notes to consolidated financial statements on pages 45-62 are an integral part of this statement. Data for 1991 have been reclassified to state separately the net assets of discontinued operations.

In the supplemental consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. (formerly General Electric Financial Services, Inc.) and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on the preceding page.

Statement of Cash Flows

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates			GE			GECS		
	1992	1991	1990	**1992**	1991	1990	**1992**	1991	1990
Cash flows from operating activities									
Net earnings	**$ 4,725**	$ 2,636	$ 4,303	**$ 4,725**	$ 2,636	$ 4,303	**$ 1,499**	$ 1,256	$ 1,094
Less earnings from discontinued operations	**(420)**	(451)	(414)	**(420)**	(451)	(414)	**—**	—	—
Adjustments to reconcile net earnings to cash provided from operating activities									
Cumulative effect of change in accounting principle	**—**	1,799	—	**—**	1,799	—	**—**	19	—
Depreciation, depletion and amortization	**2,818**	2,654	2,333	**1,483**	1,429	1,359	**1,335**	1,225	974
Earnings retained by GECS	**—**	—	—	**(999)**	(925)	(744)	**—**	—	—
Deferred income taxes	**707**	826	180	**675**	271	54	**32**	555	126
Decrease (increase) in GE current receivables	**135**	(215)	(751)	**68**	(109)	(864)	**—**	—	—
Decrease (increase) in GE inventories	**820**	378	(8)	**820**	378	(8)	**—**	—	—
Increase (decrease) in accounts payable	**57**	1,151	301	**(43)**	(203)	(192)	**139**	1,391	641
Increase in insurance reserves	**703**	725	534	**—**	—	—	**703**	725	534
Provision for losses on financing receivables	**1,056**	1,102	688	**—**	—	—	**1,056**	1,102	688
Net change in certain broker-dealer accounts	**1,018**	(1,548)	1,200	**—**	—	—	**1,018**	(1,548)	1,200
All other operating activities	**(2,111)**	(1,952)	(939)	**(1,736)**	(1,199)	109	**(439)**	(754)	(1,066)
Net cash from continuing operations	**9,508**	7,105	7,427	**4,573**	3,626	3,603	**5,343**	3,971	4,191
Net cash from discontinued operations	**741**	392	441	**741**	392	441	**—**	—	—
Cash provided from operating activities	**10,249**	7,497	7,868	**5,314**	4,018	4,044	**5,343**	3,971	4,191
Cash flows from investing activities									
Additions to property, plant and equipment	**(4,824)**	(4,870)	(4,370)	**(1,445)**	(2,126)	(1,978)	**(3,379)**	(2,744)	(2,392)
Dispositions of property, plant and equipment	**1,793**	1,090	1,584	**46**	61	171	**1,747**	1,029	1,413
Net increase in GECS financing receivables	**(4,683)**	(7,254)	(5,577)	**—**	—	—	**(4,683)**	(7,254)	(5,577)
Payments for principal businesses purchased	**(2,013)**	(3,769)	(4,595)	**—**	(933)	(130)	**(2,013)**	(2,836)	(4,465)
Proceeds from principal business dispositions	**90**	604	603	**90**	327	603	**—**	277	—
All other investing activities	**(3,823)**	(2,045)	(2,235)	**(103)**	(60)	(490)	**(3,668)**	(2,125)	(1,730)
Cash for investing activities — continuing operations	**(13,460)**	(16,244)	(14,590)	**(1,412)**	(2,731)	(1,824)	**(11,996)**	(13,653)	(12,751)
Cash for investing activities — discontinued operations	**(93)**	(117)	(151)	**(93)**	(117)	(151)	**—**	—	—
Cash used for investing activities	**(13,553)**	(16,361)	(14,741)	**(1,505)**	(2,848)	(1,975)	**(11,996)**	(13,653)	(12,751)
Cash flows from financing activities									
Net change in borrowings (maturities 90 days or less)	**3,092**	6,126	5,407	**(763)**	483	1,175	**3,895**	5,641	4,200
Newly issued debt (maturities more than 90 days)	**13,084**	15,374	12,065	**1,331**	2,136	1,450	**11,753**	13,238	10,615
Repayments and other reductions (maturities more than 90 days)	**(9,008)**	(10,158)	(7,427)	**(1,528)**	(1,573)	(1,401)	**(7,480)**	(8,585)	(6,026)
Sale of preferred stock by GE Capital	**—**	—	275	**—**	—	—	**—**	—	275
Disposition of GE shares from treasury (mainly for employee plans)	**425**	410	416	**425**	410	416	**—**	—	—
Purchase of GE shares for treasury	**(1,206)**	(1,112)	(2,468)	**(1,206)**	(1,112)	(2,468)	**—**	—	—
Dividends paid to share owners	**(1,925)**	(1,780)	(1,678)	**(1,925)**	(1,780)	(1,678)	**(500)**	(350)	(350)
Cash provided from (used for) financing activities	**4,462**	8,860	6,590	**(3,666)**	(1,436)	(2,506)	**7,668**	9,944	8,714
Increase (decrease) in cash and equivalents during year	**1,158**	(4)	(283)	**143**	(266)	(437)	**1,015**	262	154
Cash and equivalents at beginning of year	**1,971**	1,975	2,258	**1,046**	1,312	1,749	**925**	663	509
Cash and equivalents at end of year	**$ 3,129**	$ 1,971	$ 1,975	**$ 1,189**	$ 1,046	$ 1,312	**$ 1,940**	$ 925	$ 663
Supplemental disclosure of cash flows information									
Cash paid during the year for interest	**$ (6,477)**	$ (7,145)	$ (7,072)	**$ (570)**	$ (761)	$ (762)	**$ (5,907)**	$ (6,384)	$ (6,310)
Cash paid during the year for income taxes	**(1,033)**	(1,244)	(1,528)	**(936)**	(1,343)	(1,488)	**(97)**	99	(40)

The notes to consolidated financial statements on pages 45-62 are an integral part of this statement. Data for 1991 and 1990 have been reclassified to state separately the results of discontinued operations.

In the supplemental consolidating data on this page, "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. (formerly General Electric Financial Services, Inc.) and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "General Electric Company and consolidated affiliates" columns on the preceding page.

Management's Discussion of Operations

Overview

General Electric Company's consolidated financial statements represent the combination of the Company's manufacturing and nonfinancial services businesses ("GE" or "GE except GECS") and the accounts of General Electric Capital Services, Inc. ("GECS"), formerly General Electric Financial Services, Inc. See note 1 to the consolidated financial statements, which explains how the various financial data are presented.

Management's Discussion of Operations is in three parts: Consolidated Operations; GE Continuing Operations; and, beginning on page 37, GECS Operations.

Consolidated Operations

1992 was another year of enormous challenge for business in general, with slow growth in the United States and continuing economic difficulties around the world. GE again demonstrated the strength of its diverse businesses in this difficult environment with ongoing actions targeted at improving operating efficiencies, reducing overhead costs and lowering working capital requirements, particularly through inventory-related process changes.

Earnings per share were $5.51 in 1992, 8% more than 1991's comparable earnings per share before accounting change, which were 5% higher than 1990. Earnings were $4.725 billion in 1992, up 7% from 1991's comparable earnings before accounting change, which were 3% ahead of 1990. Growth in earnings per share outpaced growth in net earnings, reflecting the impact of GE's share repurchases during both periods (see note 25).

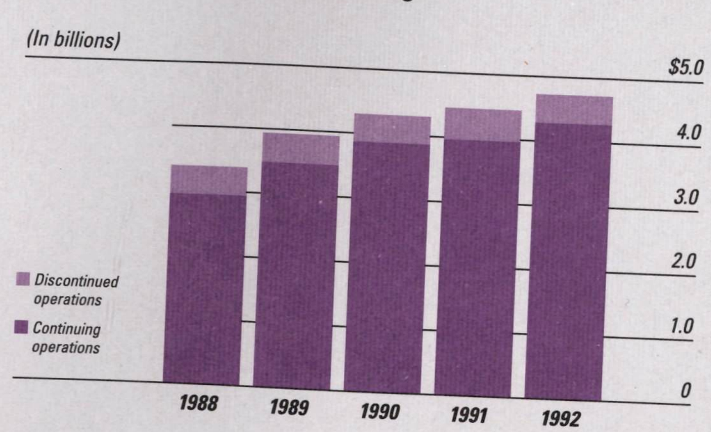
Earnings per share from continuing operations of $5.02 were up 10% over 1991's comparable $4.58 following a 5% increase over $4.38 in 1990. The 1992 increase was led by strong performances in GECS, Power Systems and Medical Systems. During both 1992 and 1991, strong productivity gains more than offset the intense margin pressures resulting from worldwide price competition and, to a lesser extent, cost inflation. Consolidated revenues from continuing operations of $57.1 billion in 1992 were up 4% from 1991 following a 4% increase from 1990. The principal components of consolidated revenues are GE sales of goods and services, which were almost flat over the period, and GECS revenues from operations (earned income), which increased 12% in 1992 following an increase of 11% in 1991 over 1990.

Earnings per share from discontinued operations of $0.49 in 1992 (down 6% from 1991, which was up 11% from 1990) represent the per-share, after-tax operating results of Aerospace and certain other businesses that are expected to be transferred in the first half of 1993 to a new company controlled by the share owners of Martin Marietta Corporation, subject to satisfaction of certain conditions (see note 2). These businesses provide high-technology products and services such as electronics, avionic systems, computer software, armament systems, missile system components, simulation systems, spacecraft, communication systems, radar, sonar and systems integration, and a variety of specialized services for government customers. Revenues totaling $5.2 billion declined 7% from 1991, principally because of lower satellite sales. The 1991 earnings increase resulted principally from absence of a counterpart to a 1990 restructuring provision and strong 1991 productivity, partially offset by a 3% decrease in revenues.

The 1991 accounting change represents adoption of Statement of Financial Accounting Standards (SFAS) No. 106 — "Employers' Accounting for Postretirement Benefits Other Than Pensions" (see note 6). The impact of absorbing the one-time transition effect of the accounting change decreased 1991 earnings by $1.799 billion ($2.07 per share), with a corresponding decrease in share owners' equity, and resulted in net earnings of $2.636 billion ($3.03 per share). Although there was no cash flow impact, this one-time charge lowered the return on average share owners' equity to 12.2% in 1991, compared with 20.9% in 1992 and 20.2% in 1990.

New accounting standards include SFAS No. 112 — "Employers' Accounting for Postemployment Benefits," which requires, among other things, recognition of a liability for certain severance benefits that may be provided to employees before retirement. Management is gathering information and evaluating the Statement's requirements but has not determined the likely effects, if any, of its application on the Company's financial position or results of operations. The Statement must be adopted no later than the first quarter of 1994.

Earnings before accounting change



Dividends declared totaled $1.985 billion in 1992. Per-share dividends of $2.32 were up 12% from last year's $2.08 per share. This marked the 17th consecutive year of dividend growth. Dividends declared per share increased 8% in 1991 and 13% in 1990.

GE Continuing Operations

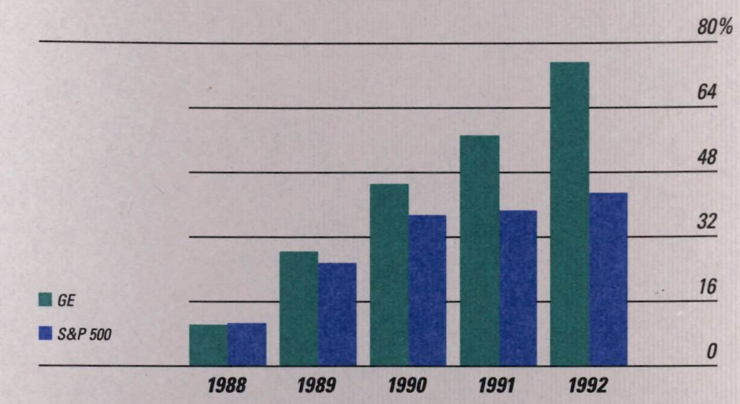
GE total revenues of $40.3 billion in 1992 were up about 2% from $39.6 billion in 1991, which was up 1% from 1990.

- GE's sales of goods and services for 1992 totaled $37.9 billion compared with $37.5 billion in 1991. The sales effects of changes in volume and prices differed markedly among businesses. Overall, volume was about 2% higher in 1992 than in 1991 as a higher level of shipments in Plastics, Appliances and Medical Systems, coupled with increased advertising revenues in NBC, was partially offset by reduced shipments in Aircraft Engines. Lower selling prices in most businesses, particularly Plastics and Aircraft Engines, offset about one-half of the volume increase. Sales in 1991 were up about 1% from 1990 because of the effect of about 2% higher shipment volume, partly offset by lower selling prices.
- GE's other income from a wide variety of sources was $812 million in 1992, $798 million in 1991 and $702 million in 1990. Details of GE's other income are in note 3.
- Earnings of GECS were up 18% in 1992 following a 17% increase the year before. See page 37 for details of these earnings.

Total costs and expenses for GE were virtually unchanged during the three-year period. Principal elements of these costs and expenses are costs of goods and services sold; selling, general and administrative expense; and interest expense.

- Operating margin is sales of goods and services less the costs of goods and services sold and selling, general and administrative expenses. Operating margin was 11.1% of sales compared with 11.2% in 1991 and 11.8% in 1990. Strong 1992 margin improvements in Power Systems, NBC and Medical Systems were offset by declines resulting from reduced volume at Aircraft Engines and pricing pressures at both Plastics and Aircraft Engines. Operating margin weakness in the 1991 Broadcasting segment was not entirely offset by improvements in the other segments. GE's total cost productivity (sales in relation to costs on a constant dollar basis) was 4.3% in 1992 compared with 3.9% in 1991 and 5.7% in 1990. GE's productivity, which over the past three years was three times the level achieved during the last recession of the early 1980s, more than offset the impact of inflation on the Company in 1992 and 1991 and offset substantially all inflation in 1990.

GE/S&P dividends per share increase compared with 1987



- GE's interest expense in 1992 was $768 million, down 14% from $893 million in 1991. Lower interest expense in 1992 was primarily attributable to lower interest rates. Interest expense decreased 7% in 1991 compared with 1990 as lower interest rates more than offset an increase in the average level of borrowings resulting principally from repurchases of GE stock.

The outlook for 1993 holds continuing challenges as competition intensifies and accelerates. However, GE enters 1993 with a strong balance sheet and excellent cash flows. The Company is positioned to capitalize on both global growth opportunities and continued improvement in the U.S. economy in the coming year.

GE industry segment revenues and operating profit for the last five years are shown in the table on page 35. Revenues include income from sales of goods and services to customers and other income. Sales from one Company component to another generally are priced at equivalent commercial selling prices. Intersegment revenues are shown in note 30.

GE industry segment revenues and operating profit reflect the 1992 reclassification of certain international activities to reflect more closely their appropriate industry segment. Prior-year segment data were reclassified to achieve consistency. Such reclassifications were not significant.

Comments on each GE segment follow.

- *Aircraft Engines* operating profit and revenues were down 8% and 5%, respectively, from peak 1991 levels. 1992's results reflect both declining military engine shipments and, for the commercial businesses, weakness in spare parts sales as airlines continued to consolidate inventories, factors only partially offset by improved commercial engine sales, productivity gains and sharply higher sales of aeroderivative engines for marine and industrial applications. Revenues were up 4% in 1991 compared with 1990, reflecting higher sales of commercial engines and spares and termination billing for cancellation of the T407 (P-7 aircraft) and F412 (A-12 aircraft) programs, which more than offset lower military sales. Operating profit for 1991 was up 11% over 1990, principally as a result of the increased volume and strong productivity gains.

About 33% of 1992 Aircraft Engines revenues were from sales to the U.S. government, down from 39% and 40% in 1991 and 1990, respectively. The reduction reflects reduced spending for ongoing defense programs as well as the lack of a counterpart to revenues from termination billing referred to above. Business with the U.S. government is diversified with many programs involving numerous agencies and services.

Firm orders received during 1992 totaled $5.9 billion compared with $6.3 billion and $8.2 billion in 1991 and 1990, respectively. Cancellations of prior orders amounted to $0.3 billion in 1992. The firm orders backlog at the end of 1992 aggregated $9.5 billion compared with $11.9 billion and $13.2 billion at the end of 1991 and 1990, respectively. About 41% of the total 1992 backlog was scheduled for delivery in 1993.

The dual impact of declining military sales and continuing difficulties in the commercial airline industry make it unlikely that, in the 1993 to 1995 time frame, Aircraft Engines will enjoy the volume growth and profitability of the early 1990s. The business has taken and will continue to take cost actions in anticipation of market realities.

▪ ***Appliances*** revenues were up 2% from 1991, primarily from sales of refrigerators and ranges, the result of increased industry-wide demand in U.S. markets after four years of decline. A 4% decrease in 1992 operating profit resulted principally from lower selling prices, cost increases and significant investment in new products and services, the combination of which more than offset the higher volume and productivity gains. Revenues and operating profit were down 7% and 8%, respectively, in 1991 compared with 1990, reflecting primarily a combination of reduced demand in U.S. markets during the recession, lower selling prices and cost increases. Appliances continued to shorten order-to-delivery cycle times during 1992 and 1991, resulting in much lower inventory levels that, in turn, yielded savings not entirely reflected in operating profit.

▪ ***Broadcasting*** operating profit declined 2% from 1991 on an 8% increase in revenues. The principal causes of the profit decline were the lack of a counterpart to last year's gain from the sale of NBC's interest in the RCA Columbia Home Video joint venture and the negative impact of the Summer Olympic Games. Substantial offset was achieved by improvements in both the core NBC Network business, which was driven by cost control measures, and double-digit profit increases at five of NBC's six television stations, primarily related to higher revenues associated with the Olympics. NBC's cable operations experienced their first full year of operating profit. Segment operating profit declined 56% in 1991 from 1990 on a 4% decrease in revenues. Higher program costs, a write-down of future sports rights and the Gulf War coverage, combined with a difficult advertising market, more than offset the 1991 gain on the sale of the joint venture discussed previously.

▪ ***Industrial*** revenues were about 2% higher than in 1991 as the effect of the 1992 consolidation of Thorn in the Lighting business was almost offset by lower locomotive shipments. Operating profit was about the same in both years, reflecting the continuation of pricing pressures and cost increases in the Electrical Distribution and Control and Transportation Systems businesses, as well as the lower locomotive shipments, factors which were almost offset by productivity throughout the segment and higher operating profit in the Lighting business. 1991 operating profit was 3% lower than 1990 on relatively flat revenues as recession-related weakness in the short-cycle portions of the Motors and Electrical Distribution and Control businesses was partially offset by the effect of consolidating Tungsram in the Lighting business.

▪ ***Materials*** revenues increased 2% during 1992 primarily as the result of a higher physical volume of shipments, particularly in U.S. plastics markets. Operating profit, however, decreased 8% because significant worldwide price erosion and cost inflation exceeded substantial productivity gains. The benefits of improvements in cash flows contributed to the segment's very positive effect on the Company's net earnings in 1992. Revenues and operating profit in 1991 were down 8% and 21%, respectively, reflecting both volume and price weakness in U.S. appliance, automotive, office information systems and housing markets and, late in the year, declining volume and prices in Europe. In addition, operating profit for 1990 included a gain on the disposition of Ladd Petroleum.

▪ ***Power Systems*** revenues increased by 3% and 11% in 1992 and 1991, respectively, as a higher level of shipments of gas turbines and, in 1992, increased sales of nuclear fuel and services more than offset the impact of the recession on the Power Delivery and Industrial Systems and Services operations. Operating profit increased by 18% and 32% in 1992 and 1991, respectively, over the prior-year periods, reflecting mainly volume growth in the gas turbine business and productivity gains in the Power Generation business in 1992 and throughout the entire segment in 1991. The strength in Power Systems orders that began in 1989 continued in 1992 with orders totaling about $7.5 billion compared with the very strong $8.0 billion in 1991 and $6.3 billion in 1990. The Power Systems backlog was

Summary of Industry Segments

For the years ended December 31 (In millions)	General Electric Company and consolidated affiliates				
	1992	1991	1990	1989	1988
Revenues					
GE					
Aircraft Engines	**$ 7,368**	$ 7,777	$ 7,504	$ 6,862	$ 6,410
Appliances	**5,330**	5,225	5,592	5,358	4,976
Broadcasting	**3,363**	3,121	3,236	3,392	3,638
Industrial	**6,907**	6,783	6,644	6,689	6,785
Materials	**4,853**	4,736	5,140	4,944	3,551
Power Systems	**6,371**	6,189	5,600	5,104	4,797
Technical Products and Services	**4,674**	4,686	4,259	4,049	3,956
All Other	**1,749**	1,545	1,369	1,246	1,182
Corporate items and eliminations	**(361)**	(468)	(285)	(433)	(440)
Total GE	**40,254**	39,594	39,059	37,211	34,855
GECS					
Financing	**10,544**	10,069	9,000	7,333	5,827
Specialty Insurance	**3,863**	2,989	2,853	2,710	2,478
Securities Broker-Dealer	**4,022**	3,346	2,923	2,897	2,316
All Other	**11**	(5)	(2)	5	34
Total GECS	**18,440**	16,399	14,774	12,945	10,655
Eliminations	**(1,621)**	(1,364)	(1,214)	(1,021)	(858)
Consolidated revenues	**$57,073**	$54,629	$52,619	$49,135	$44,652
Operating profit					
GE					
Aircraft Engines	**$ 1,274**	$ 1,390	$ 1,253	$ 1,050	$ 1,014
Appliances	**386**	400	435	386	56
Broadcasting	**204**	209	477	603	540
Industrial	**888**	885	910	847	824
Materials	**740**	800	1,010	1,055	738
Power Systems	**1,037**	882	666	471	471
Technical Products and Services	**912**	693	538	538	443
All Other	**1,717**	1,513	1,295	1,103	956
Total GE	**7,158**	6,772	6,584	6,053	5,042
GECS					
Financing	**1,366**	1,327	1,267	1,152	899
Specialty Insurance	**641**	501	457	361	334
Securities Broker-Dealer	**300**	119	(54)	(53)	64
All Other	**(272)**	(290)	(275)	(322)	(270)
Total GECS	**2,035**	1,657	1,395	1,138	1,027
Eliminations	**(1,485)**	(1,259)	(1,073)	(903)	(802)
Consolidated operating profit	**7,708**	7,170	6,906	6,288	5,267
GE interest and financial charges (net of eliminations)	**(752)**	(881)	(941)	(715)	(652)
GE items not traceable to segments	**(683)**	(563)	(480)	(552)	(519)
Earnings from continuing operations before income taxes and accounting change	**$ 6,273**	$ 5,726	$ 5,485	$ 5,021	$ 4,096

The notes to consolidated financial statements on pages 45-62 are an integral part of this statement. "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. (formerly General Electric Financial Services, Inc.) and all of its affiliates and associated companies. Operating profit of GE segments excludes interest and other financial charges; operating profit of GECS includes the effects of interest and discount, which is the largest element of GECS' operating costs. Data for all prior-year periods have been reclassified for discontinued operations and to reflect the present method of allocating GE's international activities.

$10.3 billion at December 31, 1992, up $0.7 billion from a year earlier, with approximately 34% scheduled for shipment during 1993.

■ ***Technical Products and Services*** revenues were about the same in 1992 and 1991 as the transfer of the computer service operations to GECS at mid-1992 was partially offset by a modest increase in Medical Systems equipment sales and service income worldwide. Operating profit was up 32% in 1992 over the prior year, principally from the gain arising from realignment of the equity positions of GE and Ericsson in their mobile communications venture and much improved operations in the Medical Systems business, primarily as a result of strong productivity gains. The continuing demand for computed tomography, magnetic resonance imaging and X-ray products as well as higher sales of Medical Systems services, coupled with much improved results in GE Information Services, were the principal factors contributing to increases in revenues (up 10%) and operating profit (up 29%) during 1991 compared with 1990. Medical Systems received $3.6 billion of orders in 1992, a 6% increase over the strong performance of 1991. The backlog of unfilled orders at year-end 1992 reached a record level of $1.8 billion ($1.7 billion at the end of 1991), about 83% of which was scheduled to be shipped in 1993.

■ ***All Other*** consists primarily of GECS' earnings. Also included are revenues derived from licensing use of GE know-how to others, which decreased in 1992 principally as a result of reduced royalty income from Japanese license agreements.

■ ***GE International,*** with representatives in 35 countries, provides corporate-level integration for international activities of GE's business segments.

Estimated results of international operations include all exports from the United States plus the results of operations, except GECS, located outside the United States. International revenues were $15.8 billion in 1992 (39% of GE's total revenues) compared with $15.4 billion in 1991 and $13.8 billion in 1990. The chart below left shows the growth in GE's international revenues in relation to GE's total revenues over the past five years. International operating profit was $2.0 billion (28% of GE's operating profit) in 1992, $2.2 billion in 1991 and $2.0 billion in 1990.

The accompanying financial results reported in U.S. dollars are affected by currency exchange. Management guards against currency fluctuation with a number of techniques, including its practice of borrowing, where possible, in local currencies and hedging significant cross-currency transactions. Also, international activity is diverse, as shown for revenues in the chart at the bottom of this column, and not concentrated in any single currency.

GE's export sales by major world areas are as follows.

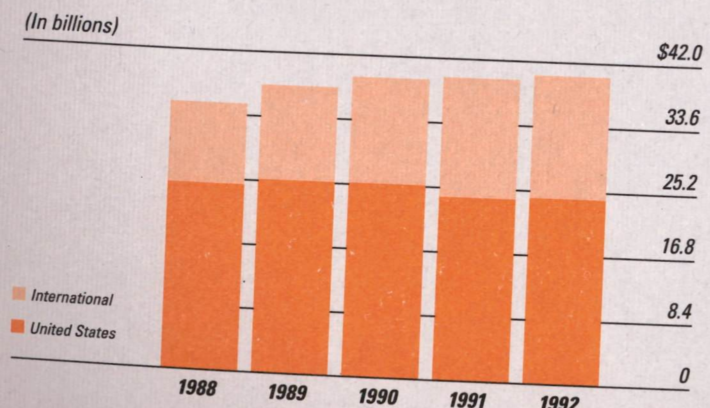
GE's exports from the United States to external customers
(In millions)

	1992	1991	1990
Europe	$2,018	$2,342	$2,338
Pacific Basin	2,696	2,408	1,566
Americas	1,126	1,008	748
Other	1,079	1,094	859
	$6,919	$6,852	$5,511

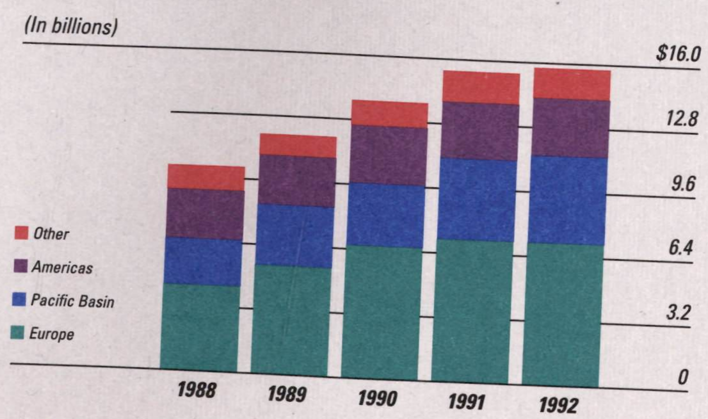
Exports from GE operations in the United States to their affiliates totaled $1.281 billion in 1992, $1.246 billion in 1991 and $1.128 billion in 1990.

GE made a positive 1992 contribution of more than $5.0 billion to the U.S. balance of trade. Total exports in 1992 were $8.2 billion, including both exports from the United States to external customers and affiliates. Imports from GE affiliates were $0.9 billion, and direct imports from external suppliers were $2.2 billion.

GE's revenues from continuing operations



GE's international revenues from continuing operations



GECS Operations

GECS conducts its business in three segments. Financing segment includes financing operations of GE Capital Corporation (GE Capital). Specialty Insurance segment includes operations of Employers Reinsurance Corporation (ERC) and the insurance businesses of GE Capital. Securities Broker-Dealer segment includes operations of Kidder, Peabody Group Inc. (Kidder, Peabody). A further description of these segments can be found on page 61.

GECS' earnings were up 18% to $1,499 million in 1992 after a 17% increase to $1,275 million in 1991 on a comparable basis, principally on continuing sharp improvements in the earnings of GE Capital's Specialty Insurance businesses and record earnings by the Securities Broker-Dealer segment, where earnings were substantially higher than in 1991, following a loss in 1990.

GECS' principal cost is for interest on borrowings. Interest expense in 1992 totaled $6.1 billion, 6% lower than in 1991, which was 1% higher than in 1990. The 1992 decrease reflected substantially lower interest rates, which more than offset higher average borrowings and the cost of funding higher levels of investment in trading positions in the Securities Broker-Dealer segment. GECS' 1991 increase in interest expense was a result of the cost of funding increased investments in trading positions, nearly offset by substantially lower rates on higher average borrowings. The composite interest rate on GECS' borrowings was 5.78% in 1992 compared with 7.46% in 1991 and 8.89% in 1990.

GECS' industry segment revenues and operating profit for the last five years are also shown in the table on page 35. Revenues from operations (earned income) are detailed in note 4.

■ ***Financing*** segment operating profit of $1,366 million increased 3% in 1992 and 5% in 1991. Higher levels of assets and increased financing spread on those assets, the excess of yield (rates earned) over interest rates on borrowings, were important factors in both years. Financing segment assets rose 10% and 14% in 1992 and 1991, respectively, while the composite rate on borrowings fell 166 basis points in 1992 and 135 basis points in 1991. Overall, lower rates on borrowings more than offset lower yields, resulting in improved spreads. Financing segment operating profit was also impacted by higher portfolio provisions for losses, principally on the commercial real estate and highly leveraged transaction (HLT) portfolios discussed in the following paragraphs, as well as by increased operating and administrative expenses related to asset growth.

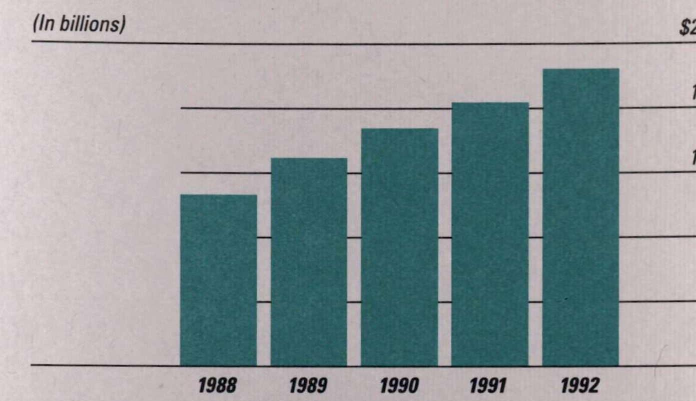
The portfolio of financing receivables, $59.4 billion and $55.8 billion at year-end 1992 and 1991, respectively, is the Financing segment's largest asset and the primary source of its revenues. Related allowances for losses aggregated $1.6 billion (2.63% of receivables) at the end of 1992 and are, in management's judgment, appropriate given current economic circumstances.

A discussion about the quality of certain elements of the Financing segment investment portfolio follows. Further details are included in note 14.

Consumer financing receivables, primarily retailer and auto receivables, were $14.8 billion at the end of 1992 and 1991. Nonearning receivables were $444 million at the end of 1992, a 20% decrease from the end of 1991. The provision for losses on retailer and auto financing receivables was $578 million in 1992, an 8% decrease from $628 million in 1991, reflecting improvement in consumer delinquencies, in part due to increased collection efforts. Most nonearning receivables were private-label credit card receivables, the majority of which were subject to various loss-sharing arrangements that provide full or partial recourse to the originating retailer.

Commercial real estate portfolio included $10.5 billion of commercial real estate loans classified as finance receivables at the end of 1992, about the same as the end of 1991. Such loans were generally secured by first mortgages. In addition to loans, the commercial real estate portfolio also included $1.1 billion of assets purchased primarily from Resolution Trust Corporation (RTC) for resale and $1.4 billion of investments in real estate joint ventures, both of which are included in other assets. Over the past two years, GECS has been one of the largest purchasers of assets sold by RTC. Experience to date on value realization of these assets has been at least as good as projections at the time of purchase. Investments in real estate joint ventures have been made as an integral part of original financings as well as in conjunction with loan restructurings where management believes that continued investment in the underlying properties would result in enhanced returns.

GECS' revenues



Foreclosed real estate amounted to $304 million and $278 million at the end of 1992 and 1991, respectively.

At December 31, 1992, the commercial real estate portfolio included loans secured by and investments in a variety of property types that were well dispersed geographically. Property types included apartments (40%), office buildings (35%), shopping centers (14%), and mixed use, industrial and other (11%). These properties were located principally across the United States as follows — Mid-Atlantic (21%), West (19%), Northeast (17%), Southwest (16%), Southeast (12%), Central (8%) — with the remainder (7%) across Canada and Europe. Nonearning and reduced earning receivables declined to $361 million in 1992 from $512 million in 1991 — reflecting proactive management of delinquent receivables as well as write-offs. Loss provisions for commercial real estate investments were $299 million in 1992 ($228 million of receivable loss provisions and $71 million of loss provisions for other assets), compared with $213 million and $62 million in 1991 and 1990, respectively, as the portfolio continued to be adversely affected by the weakened commercial real estate market.

HLT portfolio represents financing provided for highly leveraged management buyouts and corporate recapitalizations. The portion of those investments classified as financing receivables was $5.3 billion at the end of 1992 and $6.5 billion at the end of 1991. The year-end 1992 balance of amounts that had been written down to estimated fair value and carried in other assets as a result of restructuring or in-substance repossession aggregated $513 million (net of $224 million in allowances provided in 1992), a net decline of $850 million from 1991. Such balances were carried at the lower of cost or estimated fair value. This decline from 1991 reflects the effect of 1992 foreclosure and consolidation into GECS of an operating company and 1992 loss provisions resulting from deterioration in the value of certain investments, partially offset by new additions.

The HLT portfolio at year-end 1992 included loans and investments in diversified industries: cable TV (28% of investment), retail (19%), media (13%), commercial and industrial (12%), financial services (10%), health care (5%), food and beverage (5%), and broadcasting and other (8%). These investments, which comprised approximately 100 accounts at year-end 1992, were widely dispersed throughout the United States and, to a lesser degree, Canada and Europe. A substantial majority of this portfolio (76%) was positioned at the senior debt level, providing greater collateral protection than subordinated and equity positions. Even so, the portfolio was adversely affected by 1992's stagnant economic climate. Nonearning and reduced earning receivables increased to $429 million in 1992 from $356 million in 1991. Loss provisions for HLT investments were $573 million in 1992 ($154 million of receivables and $419 million of other investment loss provisions) compared with $328 million in 1991 and $410 million in 1990.

GECS' other financing receivables, in excess of $28 billion, consisted primarily of a diverse commercial, industrial and equipment loan and lease portfolio. This portfolio grew approximately $4 billion during 1992, while nonearning and reduced earning receivables increased $22 million to $144 million at year end. As discussed in note 17, GECS has loans and leases to commercial airlines that aggregated about $6 billion at the end of 1992. A combination of GECS' underwriting standards, frequent portfolio quality reviews involving senior management, active asset management and strong remarketing capabilities have kept losses to nominal amounts. Although the airline industry continued to go through a period of rationalization, at December 31, 1992, estimated fair values of aircraft collateralizing these assets exceeded GECS' investment.

- ***Specialty Insurance*** operating profit of $641 million in 1992 was 28% higher than the $501 million recorded in 1991, which was 10% higher than in 1990. The gains primarily reflected higher volume and investment income at GECS' private mortgage and financial guaranty insurance businesses. Operating profit of ERC was basically flat during the three-year period.

- ***Securities Broker-Dealer*** (Kidder, Peabody) operating profit was $300 million in 1992 and $119 million in 1991. This $181 million increase reflected higher investment income (principally from fixed income and equity trading activities) as well as higher levels of investment banking activity. The growth in revenues was partially offset by higher interest costs associated with funding increased trading positions as well as higher operating and administrative expenses, including the current-year impact of certain litigation settlements. Operating profit in 1991 followed a loss of about $54 million in 1990. Most aspects of 1991 operations improved from 1990, with significant contributions from stronger fixed income and equity trading activities, higher transaction origination fees and increased retail commissions.

Entering 1993, management believes that the diversity and strength of GECS' assets, along with vigilant attention to risk management, position it to deal effectively with a changing economic environment.

Management's Discussion of Financial Resources and Liquidity

Overview

This discussion of financial resources and liquidity focuses on the Statement of Financial Position (page 28) and the Statement of Cash Flows (page 30).

Throughout the discussion, it is important to differentiate between the businesses of GE and GECS. Although GE's manufacturing and nonfinancial services activities involve a variety of different businesses, their underlying characteristics are the development, preparation for market and the sale of tangible goods and services. Risks and rewards are directly related to the ability to manage and finance those activities.

GECS' principal businesses provide financing, insurance and broker-dealer services to third parties. The underlying characteristics of these businesses involve the management of financial risk. GECS' risks and rewards stem from the abilities of its businesses to continue on a selective basis to design and provide a wide range of financial services in a competitive marketplace and to receive adequate compensation for such services. GECS is not a "captive finance company" or a vehicle for "off-balance-sheet financing" for GE; very little of GECS' business is directly related to other GE operations.

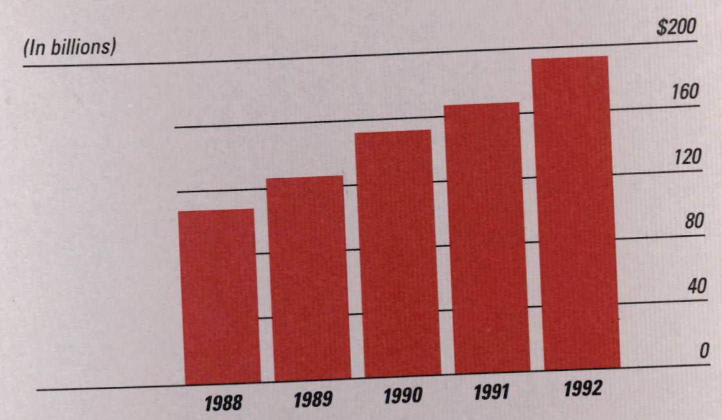
Despite the different business profiles of GE and GECS, the global commercial airline industry is one significant example of an important source of business for both. GE assumes financing positions primarily in support of engine sales whereas GECS is a significant source of lease and loan financing for the industry (see details in note 17). Even during the current difficult period in this historically cyclical industry, management believes that the financing positions are reasonably protected by collateral values and by its ability to control assets, either by ownership or by security interests.

The fundamental differences between GE and GECS are reflected in the measurements commonly used by investors, rating agencies and financial analysts. These differences will become clearer in the discussion that follows with respect to the more significant items in the two financial statements.

Note 29 contains required disclosures of fair values of financial instruments. For reasons stated in that note, management believes that disclosed values should be viewed only as supplemental information having very restricted utility.

Cash flows and liquidity of discontinued operations are displayed in the accompanying financial statements separately from data on continuing operations. Discontinued operations generated $648 million and $275 million of cash in 1992 and 1991, respectively, principally from earnings and reductions in receivables and inventories.

Consolidated total assets



Statement of Financial Position — continuing operations

- ***Marketable securities carried at market*** comprise the market-making, investing and trading portfolio of Kidder, Peabody and, to a lesser degree, investing and trading activities of the Specialty Insurance businesses. The increase to $24.2 billion at the end of 1992 from $17.9 billion at the end of 1991 principally reflected higher levels of government securities held in connection with Kidder, Peabody's trading and market-making activities.

- ***Marketable securities — other*** for each of the last two years were mainly investment-grade debt securities held by GECS' Specialty Insurance segment in support of obligations to policy holders.

- ***Securities purchased under agreements to resell*** (reverse repurchase agreements) are related to the liability account entitled "Securities sold under agreements to repurchase" (repurchase agreements). The former typically represent highly liquid, short-term investments of excess funds; the latter, borrowing of such funds from others. The balances at the end of 1992 and 1991 (both assets and liabilities) were solely those of Kidder, Peabody in connection with its broker-dealer activities. The current-year increase of $7.4 billion primarily reflected the use of these agreements to cover increased short securities inventory positions and "matched-book" transactions.

- ***GE's current receivables*** of $7.5 billion at December 31, 1992, were about the same as the $7.6 billion at the end of 1991. Amounts due from customers were $5.3 billion at December 31, 1992, and $5.7 billion at December 31, 1991. "Turnover" was 6.9 times in 1992 compared with 7.0 times in 1991. (Turnover relates receivables to sales and is a measurement of asset utilization efficiency.) Management believes that the overall condition of customer receivables was satisfactory at the end of 1992. Current receivables other than amounts owed by customers are amounts that did not originate from sales of GE goods or services, such as advances to suppliers in connection with large contracts.

▪ ***Inventories*** were $4.6 billion at the end of 1992 compared with $5.3 billion at December 31, 1991. Inventory turnover was 5.3 times in 1992, up 0.6 turns from 4.7 times in 1991 and 1990. As with receivables turnover, inventory turnover is a measurement of efficient use of resources. Significant inventory decreases in 1992 were achieved in Aircraft Engines (reduced manufacturing cycle times) and Appliances (reduced order-to-delivery cycle times). Last-in, first-out (LIFO) revaluations decreased $204 million in 1992 compared with a decrease of $141 million in 1991 and an increase of $89 million in 1990. Included in these changes were decreases of $183 million, $111 million and $15 million (1992, 1991 and 1990, respectively) resulting from lower inventory levels. There were modest overall price decreases in 1991 and 1992 compared with a price increase in 1990.

▪ ***GECS' financing receivables*** of $59.4 billion at year-end 1992 were $3.6 billion higher than at December 31, 1991. These receivables are discussed on page 37 and in note 14.

▪ ***Property, plant and equipment*** (including equipment leased to others) was $20.4 billion at December 31, 1992, up $2.1 billion. GE's property, plant and equipment consists of investments for its own productive use, whereas the largest element of GECS' investment is in equipment that is provided to third parties on operating leases. Details by category of investment can be found in note 15.

GE's total expenditures for new plant and equipment during 1992 were $1.4 billion, down $0.7 billion from 1991. The decrease was primarily attributable to lower expenditures related to capacity increases. Total expenditures for the past five years were $9.9 billion, of which 28% was to increase capacity; 24% was to increase productivity; 13% was to replace and renew older equipment; 11% was to support new business start-ups; and 24% was for such other purposes as to improve research and development facilities and to provide for safety and environmental protection.

GECS added $4.5 billion to its equipment leased to others during 1992, including $1.5 billion through acquisitions of new affiliates or businesses.

▪ ***Intangible assets*** were $9.5 billion at year-end 1992. The majority of this consolidated total was GE's intangibles, which were $6.6 billion, about the same as the end of 1991.

▪ ***All other assets*** totaled $16.6 billion at year-end 1992, up $2.4 billion from $14.2 billion a year earlier. The principal reason for GE's increase of $0.7 billion was the prepaid pension asset. GECS' increase of $1.8 billion relates principally to assets acquired for resale, including mortgages held for resale associated with the mortgage-servicing businesses, and purchases of real estate assets from Resolution Trust Corporation.

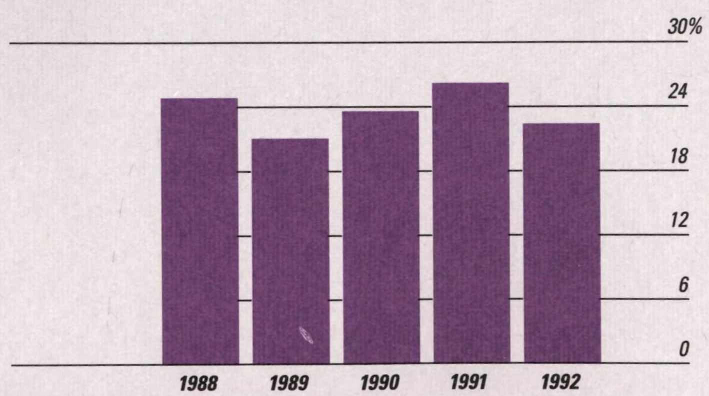
▪ ***Total borrowings*** on a consolidated basis aggregated $81.8 billion at December 31, 1992, compared with $74.0 billion at the end of 1991. The major debt-rating agencies evaluate the financial condition of GE and of GE Capital (GECS' major public borrowing entity) differently because of their distinct business characteristics. Using criteria appropriate to each and considering their combined strength, those major rating agencies continue to give the highest ratings to debt of both GE and GE Capital.

GE has agreed to make payments to GE Capital to the extent necessary to cause GE Capital's consolidated ratio of earnings to fixed charges to be not less than 1.10. For the years 1992, 1991 and 1990 such ratios were 1.44, 1.34 and 1.31, respectively, substantially above the level at which payout would be required. Three years advance notice is required to terminate this agreement.

GE's total borrowings were $6.9 billion at year-end 1992 ($3.5 billion short-term, $3.4 billion long-term), a decrease of about $1.0 billion (principally long-term) from year-end 1991. The decrease was possible as a result of record cash provided from operating activities and reduced capital expenditures. GE's total debt at the end of 1992 equaled 22.4% of total capital, down 3.8 points from the end of 1991. This relationship of debt to total capital is sound and continues well within the range of what would be expected of a strong industrial enterprise.

GECS' total borrowings were $75.1 billion at December 31, 1992, of which $53.2 billion was due in 1993 and $21.9 billion was due in subsequent years. Comparable amounts at the end of 1991 were: $66.4 billion total; $48.1 billion due within one year; and $18.3 billion due thereafter. GECS' composite interest rates are discussed on page 37.

GE borrowings as a percent of total capital invested



A large portion of GECS' borrowings was commercial paper ($42.2 billion and $38.8 billion at the end of 1992 and 1991, respectively). Most of this commercial paper is issued by GE Capital. The average remaining terms and interest rates of GE Capital's commercial paper were 34 days and 3.57% at the end of 1992 compared with 36 days and 5.13% at the end of 1991. GE Capital's ratio of debt to equity (leverage) was 7.91 to 1 at the end of 1992 compared with 7.80 to 1 at the end of 1991. This relationship is believed to be sound and is appropriate for a highly rated financial services enterprise.

Note 18 provides details of short-term and long-term borrowings.

Statement of Cash Flows — continuing operations

The Statement of Cash Flows (page 30) depicts cash flows by three broad categories — operating activities, investing activities and financing activities. Because cash management activities of GE and GECS are separate and distinct, it is more useful to review the separate cash flows statements than the consolidated statement.

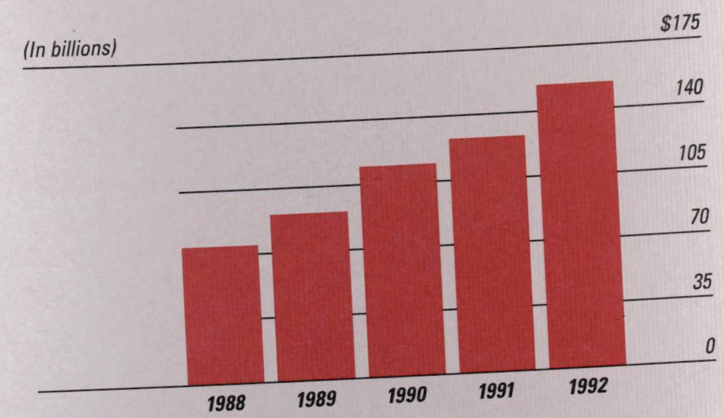
GE

GE's cash and equivalents aggregated $1.2 billion at the end of 1992, higher by $0.2 billion than at the end of 1991. During 1992, GE generated $5.3 billion in cash from its operating activities, including $0.7 billion from discontinued operations. This provided resources to pay $1.9 billion in dividends to share owners, to invest $1.4 billion in new plant and equipment, to repurchase $1.2 billion of the Company's common stock and to reduce total debt by $1.0 billion. Management continually evaluates financing alternatives. Because of attractive short-term interest rates, it elected to maintain relatively high short-term debt levels, resulting, as in 1991, in an excess of current liabilities over current assets.

Operating activities are the principal source of GE's cash flows. Over the past three years, operating activities have provided more than $11.8 billion of cash. Principal ongoing applications are investment in new plant and equipment ($5.5 billion total over the past three years) and payment of dividends to share owners ($5.4 billion total over the past three years). In addition, the Company repurchased and placed into treasury $4.8 billion of its common stock during the past three years. GE plans to conclude its share repurchase program at $5 billion, which is expected to be reached by the end of the first half of 1993. Expenditures for new plant and equipment are expected to remain at about $1.5 billion for 1993 as the short-term need for additional manufacturing capacity continues to be reduced because of relatively flat demand and aggressive cycle-time improvement programs across the Company.

Total assets of GECS

(In billions)



Based on past performance and current expectations, in combination with the financial flexibility that comes with the highest credit ratings, management believes that GE is in a sound position to continue making long-term investments for future growth, including selective acquisitions and investments in joint ventures, to reduce current debt levels and to grow dividends in line with earnings.

GECS

GECS' primary source of cash is financing activities involving the continued rollover of short-term borrowings and appropriate addition of borrowings with a reasonable balance of maturities. Over the last three years, GECS' borrowings with maturities of 90 days or less have increased by $13.7 billion. New borrowings of $35.6 billion having maturities longer than 90 days were added during those years, while $22.1 billion of such longer-term borrowings were retired. GECS also has generated significant cash from operating activities, $13.5 billion during the past three years.

GECS' principal use of cash has been investing in assets to grow its businesses. Additions to financing receivables were $17.5 billion of the $38.4 billion GECS invested over the past three years. During those years, GECS also invested $9.3 billion to acquire new businesses and $8.5 billion in new equipment, principally for lease to others.

With the financial flexibility that comes with excellent credit ratings, management believes GECS is well positioned to meet the global needs of its customers for capital and to continue providing GE share owners with good returns on their investment in GECS.

Management's Discussion of Selected Financial Data

Selected financial data summarizes on the opposite page some data frequently requested about General Electric Company and provides a record that may be useful for reviewing trends. The data are divided into three sections: upper portion — consolidated information; middle portion — GE data that reflect various conventional measurements for industrial enterprises; and lower portion — GECS data that reflect key information and ratios pertinent to capital services. Except as noted, these comments pertain only to GE's continuing operations.

GE's total research and development expenditures were $1,896 million in 1992 compared with $1,866 million the previous year. Of the 1992 expenditures, $1,353 million was from GE's own funds, an increase of $157 million from 1991. Expenditures from funds provided from customers (mainly the U.S. government) were $543 million in 1992, $127 million less than the year before. The Aircraft Engines, Medical Systems, Plastics and Power Systems businesses account for the largest share of GE's research and development expenditures from both Company and customer funds. Expenditures in the discontinued Aerospace businesses, not included in the above totals, amounted to $1,911 million and $2,188 million in 1992 and 1991, respectively, primarily from funds provided by customers.

GE's total backlog of firm unfilled orders at the end of 1992 was $25.4 billion, a slight decrease from $26.0 billion at year-end 1991. Orders constituting this backlog may be canceled or deferred by customers, subject in certain cases to cancellation penalties. Comments on unfilled orders for businesses with relatively long manufacturing cycles can be found in the discussion of Industry Segments, which begins on page 33. About 43% of the 1992 total unfilled orders was scheduled to be shipped in 1993 with most of the remainder to be shipped in the two years after that. For comparison, about 43% of the 1991 backlog was expected to be shipped in 1992. Backlog for the discontinued Aerospace businesses, not included in the above totals, was $5.8 billion and $6.7 billion at the end of 1992 and 1991, respectively.

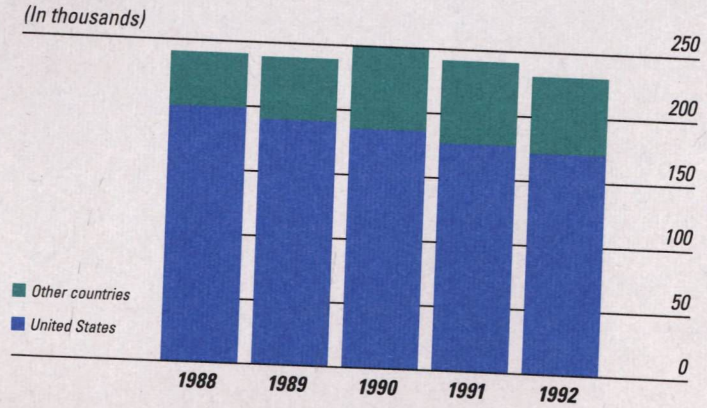
Regarding environmental matters, the operations of the Company, like those of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws.

In 1992, GE had capital expenditures of about $110 million for projects related to the environment. The comparable amount in 1991 was about $135 million. These amounts exclude expenditures for remedial actions, which are discussed in the next paragraph. Capital expenditures for environmental purposes have included pollution control devices such as waste-water treatment plants, groundwater monitoring devices, air strippers or separators, and incinerators at new and existing facilities constructed or upgraded in the normal course of business. Consistent with GE's policies stressing environmental responsibility, average annual capital expenditures other than for remedial projects are presently expected to range between $100 million and $180 million over the next two years. This level is in line with existing levels for new or expanded programs to build facilities or modify manufacturing processes to minimize waste and reduce emissions.

The Company also is involved in a sizable number of remedial actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remedial actions regardless of fault, legality of original disposal or ownership of a disposal site. In 1992, GE spent approximately $120 million on remedial cleanups and related studies, about the same as was spent for such purposes in 1991. It is presently expected that remedial cleanups and related studies will require average annual expenditures in the range of $140 million to $170 million over the next two years.

It is difficult to estimate reasonably the level of environmental expenditures beyond two years due to a number of uncertainties, including uncertainties about the status of the law, regulation, technology, insurance coverage of GE costs and information related to individual sites. Subject to the foregoing, Company management believes that capital expenditures and remedial actions to comply with the present laws governing environmental protection will not have a material effect upon GE's capital expenditures, earnings or competitive position.

Consolidated employment of continuing operations at year end
(In thousands)



Selected Financial Data

(Dollar amounts in millions; per-share amounts in dollars)	1992	1991	1990	1989	1988
General Electric Company and consolidated affiliates					
Revenues	**$ 57,073**	$ 54,629	$ 52,619	$ 49,135	$ 44,652
Earnings from continuing operations	**4,305**	3,984	3,889	3,503	2,984
Earnings from discontinued operations	**420**	451	414	436	402
Earnings before accounting change	**4,725**	4,435	4,303	3,939	3,386
Net earnings	**4,725**	2,636	4,303	3,939	3,386
Dividends declared	**1,985**	1,808	1,696	1,537	1,314
Earned on average share owners' equity	**20.9%**	12.2%	20.2%	20.0%	19.4%
Per share					
Earnings from continuing operations	**$ 5.02**	$ 4.58	$ 4.38	$ 3.88	$ 3.31
Earnings from discontinued operations	**0.49**	0.52	0.47	0.48	0.44
Earnings before accounting change	**5.51**	5.10	4.85	4.36	3.75
Net earnings	**5.51**	3.03	4.85	4.36	3.75
Dividends declared	**2.32**	2.08	1.92	1.70	1.46
Stock price range	**87½-72¾**	78⅛-53	75½-50	64¾-43½	47⅞-38⅜
Total assets	**192,876**	166,508	152,000	126,121	107,812
Long-term borrowings	**25,376**	22,681	21,043	16,110	15,082
Shares outstanding — average (in thousands)	**857,198**	868,931	887,552	904,223	901,780
Share owner accounts — average	**481,000**	495,000	506,000	526,000	529,000
Employees at year end					
United States	**173,000**	178,000	188,000	192,000	200,000
Other countries	**58,000**	62,000	62,000	48,000	42,000
Discontinued operations (primarily U.S.)	**37,000**	44,000	48,000	52,000	56,000
Total employees	**268,000**	284,000	298,000	292,000	298,000
GE data					
Short-term borrowings	**$ 3,448**	$ 3,482	$ 2,721	$ 1,696	$ 1,861
Long-term borrowings	**3,420**	4,332	4,048	3,947	4,330
Minority interest	**350**	353	288	283	228
Share owners' equity	**23,459**	21,683	21,680	20,890	18,466
Total capital invested	**$ 30,677**	$ 29,850	$ 28,737	$ 26,816	$ 24,885
Return on average total capital invested	**16.9%**	11.1%	17.4%	17.0%	16.4%
Borrowings as a percentage of total capital invested	**22.4%**	26.2%	23.6%	21.0%	24.9%
Working capital	**$ (822)**	$ (231)	$ 813	$ 2,125	$ 2,251
Property, plant and equipment additions	**1,445**	2,164	2,102	2,073	2,079
Year-end orders backlog	**25,434**	26,049	25,195	22,473	20,147
GECS data					
Earnings before accounting change	**$ 1,499**	$ 1,275	$ 1,094	$ 927	$ 788
Net earnings	**1,499**	1,256	1,094	927	788
Share owner's equity	**8,884**	7,758	6,833	6,069	4,819
Earned on average share owner's equity	**18.0%**	17.0%	16.6%	17.6%	18.0%
Borrowings from others	**$ 75,140**	$ 66,420	$ 57,400	$ 47,905	$ 39,593
Ratio of debt to equity (GE Capital)	**7.91:1**	7.80:1	7.77:1	7.80:1	7.67:1
Total assets of GE Capital	**$ 92,632**	$ 80,528	$ 70,385	$ 58,696	$ 47,766
Reserve coverage on financing receivables	**2.63%**	2.63%	2.63%	2.63%	2.63%
Insurance premiums written	**$ 2,900**	$ 2,155	$ 1,981	$ 1,819	$ 1,809
Securities broker-dealer earned income	**4,022**	3,346	2,923	2,897	2,316

Prior-period data have been reclassified, when necessary, for discontinued operations. See note 6 to the consolidated financial statements for information about the 1991 accounting change. "GE" means the basis of consolidation as described in note 1 to the consolidated financial statements; "GECS" means General Electric Capital Services, Inc. (formerly General Electric Financial Services, Inc.) and all of its affiliates and associated companies. Transactions between GE and GECS have been eliminated from the "consolidated information."

Management's Discussion of Financial Responsibility

The financial data in this report, including the audited financial statements, have been prepared by management using the best available information and applying judgment. Accounting principles used in preparing the financial statements are those that are generally accepted in the United States.

Management believes that a sound, dynamic system of internal financial controls that balances benefits and costs provides the best safeguard for Company assets. Professional financial managers are responsible for implementing and overseeing the financial control system, reporting on management's stewardship of the assets entrusted to it by share owners and maintaining accurate records.

GE is dedicated to the highest standards of integrity, ethics and social responsibility. This dedication is reflected in written policy statements covering, among other subjects, environmental protection, potentially conflicting outside interests of employees, compliance with antitrust laws, proper business practices, and adherence to the highest standards of conduct and practices in transactions with the U.S. government. Management continually emphasizes to all employees that even the appearance of impropriety can erode public confidence in the Company. Ongoing education and communication programs and review activities such as those conducted by the Company's Policy Compliance Review Board are designed to create a strong compliance culture — one that encourages employees to raise their policy questions and concerns, and prohibits retribution for doing so.

KPMG Peat Marwick provide an objective, independent review of management's discharge of its obligations relating to the fairness of reporting operating results and financial condition. Their report for 1992 appears below.

The Audit Committee of the Board (consisting solely of Directors from outside GE) maintains an ongoing appraisal — on behalf of share owners — of the adequacy of internal financial controls, the activities and independence of the independent auditors and the activities of the Company's internal audit staff. This committee also reviews the Company's financial reporting process and compliance with key Company policies.

John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer

Dennis D. Dammerman
Senior Vice President
Finance

February 12, 1993

Independent Auditors' Report

To Share Owners and Board of Directors of General Electric Company

We have audited the accompanying statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1992 and 1991, and the related statements of earnings and cash flows for each of the years in the three-year period ended December 31, 1992. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements appearing on pages 26-31 and 45-62 present fairly, in all material respects, the financial position of General Electric Company and consolidated affiliates at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in note 6 to the consolidated financial statements, the Company changed its method of accounting for postretirement benefits other than pensions in 1991.

KPMG Peat Marwick

KPMG Peat Marwick
Stamford, Connecticut

February 12, 1993

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Consolidation. The consolidated financial statements represent the adding together of all companies in which General Electric Company directly or indirectly has a majority ownership or otherwise controls ("affiliated companies"). Results of companies that are 20% to 50% owned by GE or General Electric Capital Services, Inc. (GECS), formerly General Electric Financial Services, Inc., are included in the financial statements on a "one-line" basis ("associated companies"). Results of the Aerospace and certain other businesses which are under agreement to be transferred to a new company controlled by the share owners of Martin Marietta Corporation have been classified as discontinued operations (see note 2).

Financial statement presentation. Financial data and related measurements are presented in the following categories.

- *GE (also referred to as "GE except GECS").* This represents the adding together of all affiliated companies except GECS, which is presented on a one-line basis.
- *GECS.* This affiliate owns all of the common stock of General Electric Capital Corporation (GE Capital), Employers Reinsurance Corporation (ERC) and Kidder, Peabody Group Inc. (Kidder, Peabody). These affiliates and their respective affiliates are consolidated in the GECS columns and constitute its business.
- *Consolidated.* These data represent the adding together of GE and GECS.

The effects of transactions among related companies within and between each of the above-mentioned groups are eliminated. Transactions between GE and GECS are not material.

Reclassification. Prior-period data shown in the financial statements and the related notes have been reclassified, as appropriate, to reflect discontinued operations.

Sales of goods and services. A sale is recorded when title passes to the customer or when services are performed in accordance with contracts.

GECS' revenues from operations ("earned income"). Income on all loans is recognized on the interest method. Accrual of interest income is suspended when collection of an account becomes doubtful, generally after the account becomes 90 days delinquent.

Financing lease income which includes investment tax credits and residual values is recorded on the interest method so as to produce a level yield on funds not yet recovered. Unguaranteed residual values included in lease income are based primarily on independent appraisals of the values of leased assets remaining at expiration of the lease terms.

Operating lease income is recognized on a straight-line basis over the term of underlying leases.

Origination, commitment and other nonrefundable fees related to fundings are deferred and recorded in earned income on the interest method. Commitment fees related to loans not expected to be funded and line-of-credit fees are deferred and recorded in earned income on a straight-line basis over the period to which the fees relate. Syndication fees are recorded in earned income at the time related services are performed unless significant contingencies exist.

Premiums on short-duration insurance contracts are reported as earned income over the terms of the related reinsurance treaties or insurance policies. In general, earned premiums are calculated on a pro rata basis or are determined based on reports received from reinsureds. Premium adjustments under retrospectively rated reinsurance contracts are recorded based on estimated losses and loss expenses, including both case and incurred-but-not-reported reserves. Revenues on long-duration contracts are reported as earned when due.

Kidder, Peabody's proprietary securities and commodities transactions, unrealized gains and losses on open contractual commitments (principally financial futures), forward contracts on U.S. government and federal agency securities, and when-issued securities are recorded on a trade-date basis. Customer transactions and related revenues and expenses, investment banking revenues from management fees, sales concessions and underwriting fees are recorded on a settlement-date basis. Advisory fees are recorded as revenues when services are substantially completed and the revenue is reasonably determinable.

Depreciation and amortization. The cost of most of GE's manufacturing plant and equipment is depreciated using an accelerated method based primarily on a sum-of-the-years digits formula. If manufacturing plant and equipment is subject to abnormal economic conditions or obsolescence, additional depreciation is provided.

The cost of GECS' equipment leased to others on operating leases is amortized, principally on a straight-line basis, to estimated net salvage value over the lease term or over the estimated economic life of the equipment. Depreciation of property and equipment for GECS' own use is recorded on either a sum-of-the-years digits formula or a straight-line basis over the lives of the assets.

Recognition of losses on financing receivables and investments. GE Capital maintains an allowance for losses on financing receivables at an amount that it believes is sufficient to provide adequate protection against future losses in the portfolio. Collateral that is formally or substantively repossessed in satisfaction of a loan receivable is written down against the allowances for losses to estimated fair value and transferred to other assets. Subsequent to such transfer, these assets are carried at the lower of cost or estimated current fair value. This accounting has been employed principally for highly leveraged transactions (HLT) and real estate loans.

See note 8 for further information on GECS' allowance for losses on financing receivables.

Cash equivalents. Marketable securities with original maturities of three months or less are included in cash equivalents unless held for trading or investment.

Marketable securities. Marketable securities of Kidder, Peabody are held for trading and carried at market value with the difference between cost and market value included in operations. Other marketable securities held at December 31, 1991, by all other GECS affiliates, principally debt securities held by insurance affiliates, were intended to be held to maturity and were accounted for at amortized cost. At December 31, 1992, certain such securities were classified as available for sale as described in Note 11. Accounting for investments in debt securities is presently under review by the Financial Accounting Standards Board. Pending further authoritative guidance on such accounting, marketable debt securities held by insurance affiliates that are available for sale are recorded at the lower of aggregate cost or market. Marketable equity securities held by insurance affiliates are carried at market value. Unrealized gains or losses on marketable equity securities and unrealized losses on marketable debt securities, less applicable deferred taxes, are recognized in equity. An unrealized loss determined to be other than temporary is recognized in operations.

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements). Repurchase and reverse repurchase agreements are treated by Kidder, Peabody as financing transactions and are carried at the contract amount at which the securities subsequently will be resold or reacquired. Repurchase agreements relate either to marketable securities, which are carried at market value, or to securities obtained pursuant to reverse repurchase agreements. It is Kidder, Peabody's policy to take possession of securities subject to reverse repurchase agreements. Kidder, Peabody monitors the market value of the underlying securities in relation to the related receivable, including accrued interest, and requests additional collateral if appropriate.

Inventories. Virtually all of GE's U.S. inventories are stated on a last-in, first-out (LIFO) basis; international inventories are primarily stated on a first-in, first-out (FIFO) basis. None of the inventories exceed realizable values.

Intangible assets. Goodwill is amortized over its estimated period of benefit and other intangible assets over their estimated lives. The amortization period does not exceed 40 years, and amortization is generally on a straight-line basis.

Deferred insurance acquisition costs. For the property and casualty business, these costs are amortized as the related premiums are earned. For the life insurance business, these costs are amortized over the premium-paying periods of the contracts in proportion either to anticipated premium income or to gross profit, as appropriate. Deferred insurance acquisition costs are reviewed for recoverability; for short-duration contracts, anticipated investment income is considered in making recoverability evaluations.

Note 2 Discontinued Operations

On November 23, 1992, General Electric Company and Martin Marietta Corporation (MMC) announced that they had reached a definitive agreement under which GE's Aerospace business segment; GE Government Services, Inc.; and an operating component of GE that operates Knolls Atomic Power Laboratory under a contract with the U.S. Department of Energy are to be transferred to a new company controlled by the share owners of MMC. The transaction, which has been valued at $3.05 billion, has been approved by both MMC's and GE's Boards of Directors and, subject to government review and the approval of MMC share owners, is expected to close during the first half of 1993.

Net assets of discontinued operations have been segregated in the Statement of Financial Position. Summary operating results of discontinued operations are as follows.

(In millions)	1992	1991	1990
Revenues	$5,231	$5,631	$5,820
Earnings before income taxes	668	710	662
Provision for income taxes	248	259	248
Net earnings from discontinued operations	420	451	414

Note 3 GE Other Income

(In millions)	1992	1991	1990
Royalty and technical agreements	$384	$394	$336
Associated companies	195	156	93
Marketable securities and bank deposits	73	78	84
Customer financing	40	71	36
Other investments			
Interest	22	18	13
Dividends	18	3	4
Other sundry items	80	78	136
	$812	$798	$702

Note 4 GECS Revenues from Operations

(In millions)	1992	1991	1990
Time sales, loan, investment and other income	$10,464	$ 9,790	$ 9,192
Financing leases	2,151	1,836	1,457
Operating lease rentals	2,444	2,205	1,806
Premium and commission income of insurance affiliates	2,687	2,008	1,870
Commissions and fees of securities broker-dealer	694	560	449
	$18,440	$16,399	$14,774

Included in earned income from financing leases were gains on the sale of equipment at lease completion of $126 million in 1992, $147 million in 1991 and $93 million in 1990.

Noncancelable future rentals due from customers for equipment on operating leases as of December 31, 1992, totaled $5,538 million and are due as follows: $1,747 million in 1993; $1,407 million in 1994; $816 million in 1995; $402 million in 1996; $280 million in 1997; and $886 million thereafter.

Amortization of deferred investment tax credit was $26 million in 1992, $25 million in 1991 and $34 million in 1990.

Note 5 Supplemental Cost Details

Company-funded research and development aggregated $1,353 million in 1992, $1,196 million in 1991 and $1,261 million in 1990.

Rental expense under operating leases was as follows.

(In millions)	1992	1991	1990
GE	$683	$675	$620
GECS	331	169	159

At December 31, 1992, minimum rental commitments under noncancelable operating leases aggregated $2,502 million and $3,124 million for GE and GECS, respectively. Amounts payable over the next five years are as follows.

(In millions)	1993	1994	1995	1996	1997
GE	$431	$337	$243	$149	$110
GECS	341	309	286	274	258

GE's selling, general and administrative expense totaled $5,319 million, $5,422 million and $5,262 million in 1992, 1991 and 1990, respectively.

Note 6 Pension and Other Retiree Benefits

GE and its affiliates sponsor a number of pension, retiree health and life insurance and other retiree benefit plans. Principal plans are discussed below; other plans are not significant individually or in the aggregate.

The 1991 accounting change was to implement Statement of Financial Accounting Standards (SFAS) No. 106 — "Employers' Accounting for Postretirement Benefits Other Than Pensions" using the immediate recognition transition option, effective as of January 1, 1991.

SFAS No. 106 requires recognition, during employees' service with the Company, of the cost of their retiree health and life insurance benefits. At January 1, 1991, the accumulated postretirement benefit obligation was $4,287 million; however, $1,577 million of this obligation had been provided through the fair market value of related trust assets ($1,037 million) and recorded liabilities ($540 million), resulting in a pretax adjustment (i.e., transition obligation) of $2,710 million. The effect on net earnings and share owners' equity was $1,799 million ($2.07 per share) after deferred tax benefit of $911 million. Aside from the one-time effect of the adjustment, adoption of SFAS No. 106 was not material to 1991 financial results.

Prior to 1991, GE health benefits for eligible retirees under age 65 and eligible dependents were generally included in costs as covered expenses were paid. For eligible retirees and spouses over age 65, the present value of future health benefits was included in costs in the year the retiree became eligible for benefits. The present value of future life insurance benefits for each eligible retiree was included in costs in the year of retirement.

Principal pension plans are the GE Pension Plan and the GE Supplementary Pension Plan.

The GE Pension Plan covers substantially all GE employees in the United States and approximately 50% of GECS employees. Generally, benefits are based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. Benefit provisions are subject to collective bargaining. At the end of 1992, the GE Pension Plan covered approximately 494,000 participants, including 191,000 employees, 132,000 former employees with vested rights to future benefits, and 171,000 retirees or beneficiaries receiving benefits.

The GE Supplementary Pension Plan is an unfunded plan providing supplementary retirement benefits primarily to higher-level, longer-service professional and managerial employees in the United States.

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. Benefit provisions are subject to collective bargaining. At the end of 1992, the plans covered approximately 241,000 retirees and dependents.

Discontinued operations — pension plan assets are expected to be transferred to new pension plans in conjunction with the discontinued operations. The amount of the transfer will be based on, among other things, the employees who actually transfer. Amounts relating to the discontinued operations have not been fully segregated in the following discussion.

Employer costs for principal pension and retiree health and life insurance benefit plans follow.

Cost (income) for pension plans

(In millions)	1992	1991	1990
Benefit cost for service during the year — net of employee contributions	$ 494	$ 446	$ 425
Interest cost on benefit obligation	1,502	1,400	1,315
Actual return on plan assets	(1,562)	(4,331)	260
Unrecognized portion of return	(584)	2,272	(1,988)
Amortization	(436)	(483)	(392)
Pension cost (income) (a)	$ (586)	$ (696)	$ (380)

(a) Pension cost (income) for continuing operations was $(494) million for 1992, $(576) million for 1991 and $(293) million for 1990.

Cost (income) for retiree health and life plans

(In millions)	1992	1991
Retiree health plans		
Benefit cost for service during the year — net of retiree contributions	$ 62	$ 65
Interest cost on benefit obligation	203	214
Actual return on plan assets	(4)	(9)
Unrecognized portion of return	—	5
Amortization	(40)	(33)
Retiree health cost (b)	$221	$242
Retiree life plans		
Benefit cost for service during the year	$ 24	$ 23
Interest cost on benefit obligation	110	104
Actual return on plan assets	(78)	(129)
Unrecognized portion of return	(20)	39
Amortization	2	—
Retiree life cost (b)	$ 38	$ 37

(b) Retiree health and life cost for continuing operations was $213 million for 1992, $218 million for 1991 and $208 million for 1990.

Actuarial assumptions used to determine 1992 and 1991 costs and benefit obligations for principal plans include a discount rate of 9.0% (8.5% for 1990) and an average rate of future increases in benefit compensation of 6.0% (6.5% for 1990). Recognized return on plan assets for 1992 and 1991 was determined by applying the expected long-term rate of return of 9.5% (8.5% for 1990) to the market-related value of assets. The assumed rate of future increases in per capita cost of health care benefits (the health care cost trend rate) was 13.0% for 1991, decreasing to 12.5% for 1992 and gradually decreasing to 6.6% for the year 2050. These trend rates reflect GE's prior experience and management's expectation that future rates will decline. Increasing the health care cost trend rates by one percentage point would increase the accumulated postretirement benefit obligation by $50 million and would increase annual aggregate service and interest costs by $5 million. In connection with its 1993 annual funding review, GE may revise certain actuarial assumptions effective January 1, 1993; however, it is anticipated that any such revisions would increase benefit obligations by no more than 5%.

Gains and losses that occur because actual experience differs from actuarial assumptions are amortized over the average future service period of employees. Amounts allocable to prior service for plan amendments are amortized in a similar manner.

Funding policy for the GE Pension Plan is to contribute amounts sufficient to meet minimum funding requirements set forth in employee benefit and tax laws plus such additional amounts as GE may determine to be appropriate from time to time. GE has not made contributions since 1987 because the fully funded status of the GE Pension Plan precludes current tax deduction and because any Company contribution would require the Company to pay annual excise taxes. The present value of future life insurance benefits for each eligible retiree is funded in the year of retirement. In general, retiree health benefits are paid as covered expenses are incurred.

The following table compares the market-related value of assets with the present value of benefit obligations, recognizing the effects of future compensation and service. The market-related value of assets is based on cost plus recognition of market appreciation and depreciation in the portfolio over five years, a method that reduces the impact of short-term market fluctuations.

Funded status of principal plans

December 31 (In millions)	1992	1991
Pension plans		
Market-related value of assets	$24,204	$23,192
Projected benefit obligation	17,999	17,355
Retiree health and life plans		
Market-related value of assets	1,220	1,124
Accumulated postretirement benefit obligation	3,743	3,675

Schedules reconciling the benefit obligations for principal plans with GE's recorded liabilities in the Statement of Financial Position are shown on the following page.

Reconciliation of benefit obligation with recorded liability

	Pension		Retiree health		Retiree life	
December 31 (In millions)	1992	1991	1992	1991	1992	1991
Benefit obligation	$ 17,999	$17,355	$2,416	$2,414	$ 1,327	$ 1,261
Fair value of trust assets	(26,466)	(26,133)	(32)	(50)	(1,221)	(1,121)
Unamortized balances						
SFAS No. 87 transition gain	1,231	1,385	—	—	—	—
Experience gains (losses)	4,939	5,784	(394)	(364)	(21)	13
Plan amendments	(518)	(577)	764	829	—	—
Recorded prepaid asset	3,310	2,657	—	—	—	—
Recorded liability	$ 495	$ 471	$2,754	$2,829	$ 85	$ 153

The portion of the projected benefit obligation representing the accumulated benefit obligation for pension plans was $16,975 million and $16,362 million at the end of 1992 and 1991, respectively. The vested benefit obligation for pension plans was $16,799 million and $16,214 million at the end of 1992 and 1991, respectively.

Details of the accumulated postretirement benefit obligation are shown below.

Accumulated postretirement benefit obligation

December 31 (In millions)	1992	1991
Retiree health plans		
Retirees	$1,789	$1,756
Employees eligible to retire	137	152
Other employees	490	506
	$2,416	$2,414
Retiree life plans		
Retirees	$ 907	$ 849
Employees eligible to retire	83	91
Other employees	337	321
	$1,327	$1,261

Unamortized balances for amendments include the effects of changes in pension and retiree health plan provisions during 1991.

Assets in trust consist mainly of common stock and fixed income investments. GE common stock represents about 1% of trust assets and is held mainly in an indexed portfolio.

Note 7 Interest and Other Financial Charges

GE. Interest capitalized, principally on major property, plant and equipment projects, was $29 million in 1992, $33 million in 1991 and $26 million in 1990.

GECS. Interest and discount expenses reported in the Statement of Earnings is net of interest income on temporary investments of excess funds ($48 million, $54 million and $104 million in 1992, 1991 and 1990, respectively) and capitalized interest ($6 million, $8 million and $20 million in 1992, 1991 and 1990, respectively).

Note 8 GECS Allowance for Losses on Financing Receivables

GECS allowance for losses on financing receivables represented 2.63% of total financing receivables at year-end 1992 and 1991. The allowance for small-balance receivables is determined principally on the basis of actual experience during the preceding three years. Further allowances are provided to reflect management's judgment of additional loss potential. For other receivables, principally the larger loans and leases, the allowance for losses is determined primarily on the basis of management's judgment of net loss potential, including specific allowances for known troubled accounts. The table below shows the activity in the allowance for losses on financing receivables during each of the last three years.

(In millions)	1992	1991	1990
Balance at January 1	$ 1,508	$ 1,360	$1,127
Provisions charged to operations	1,056	1,102	688
Net transfers related to companies acquired or sold	52	135	230
Amounts written off — net	(1,009)	(1,089)	(685)
Balance at December 31	$ 1,607	$ 1,508	$1,360

All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for losses. Small-balance accounts are progressively written down (from 10% when more than three months delinquent to 100% when 9-12 months delinquent) to record the balances at estimated realizable value. If at any time during that period an account is judged to be uncollectible, such as in the case of a bankruptcy, the uncollectible balance is written off. Large-balance accounts are reviewed at least quarterly, and those accounts that are more than three months delinquent are written down, if necessary, to record the balances at estimated realizable value. Amounts written off in 1992 were approximately 1.58% of average financing receivables outstanding during the year, compared with 1.87% and 1.37% of average financing receivables outstanding during 1991 and 1990, respectively.

Note 9 Provision for Income Taxes

(In millions)	1992	1991	1990
GE			
Estimated amounts payable	$ 697	$ 1,088	$ 1,196
Deferred tax expense from temporary differences	762	311	139
Investment credit deferred (amortized) — net	(27)	(39)	(40)
	1,432	1,360	1,295
GECS			
Estimated amounts payable (recoverable)	374	(192)	168
Deferred tax expense from temporary differences	167	555	133
Investment credit deferred (amortized) — net	(5)	19	—
	536	382	301
Consolidated			
Estimated amounts payable	1,071	896	1,364
Deferred tax expense from temporary differences	929	866	272
Investment credit deferred (amortized) — net	(32)	(20)	(40)
	$ 1,968	$ 1,742	$ 1,596

Estimated amounts payable includes amounts applicable to non-U.S. jurisdictions of $187 million, $209 million and $184 million in 1992, 1991 and 1990, respectively.

GE includes GECS in filing a consolidated U.S. federal income tax return. GECS' provision for estimated taxes payable (recoverable) includes its effect on the consolidated return.

Statement of Financial Accounting Standards (SFAS) No. 109 — "Accounting for Income Taxes" was adopted effective January 1, 1992. The effect of adopting this new standard was not material.

Deferred income tax balances reflect the impact of temporary differences between the carrying amount of assets and liabilities and their tax bases and are stated at tax rates expected to be in effect when taxes are actually paid or recovered. See note 23 for details.

Except for earnings that GE intends to reinvest indefinitely, provision has been made for the estimated U.S. federal income tax liabilities applicable to undistributed earnings of affiliates and associated companies.

Based on location (not tax jurisdiction) of the business providing goods and services, consolidated U.S. income before taxes was $5,639 million in 1992, $5,034 million in 1991 and $4,789 million in 1990. The corresponding amounts for non-U.S. based operations were $634 million in 1992, $692 million in 1991 and $696 million in 1990.

Reconciliation of U.S. federal statutory rate to actual tax rate	Consolidated			GE			GECS		
	1992	1991	1990	1992	1991	1990	1992	1991	1990
Statutory U.S. federal income tax rate	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Increase (reduction) in rate resulting from:									
Inclusion of after-tax earnings of GECS in before-tax earnings of GE	—	—	—	(8.9)	(8.1)	(7.2)	—	—	—
Foreign Sales Corporation tax benefits	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)	—	—	—
Amortization of investment tax credit	(0.6)	(0.9)	(0.9)	(0.5)	(0.7)	(0.8)	(0.6)	(0.7)	(1.0)
Tax-exempt income	(2.6)	(2.9)	(3.1)	—	—	—	(8.1)	(10.1)	(12.1)
Amortization of goodwill	1.3	1.4	1.3	0.9	1.0	0.9	1.4	1.6	1.6
Dividends received not fully taxable	(0.3)	(0.4)	(0.7)	—	—	—	(1.0)	(1.3)	(2.6)
All other — net	0.7	0.3	(0.4)	0.7	0.4	(0.7)	0.6	(0.4)	1.6
	(2.6)	(3.6)	(4.9)	(9.0)	(8.6)	(9.0)	(7.7)	(10.9)	(12.5)
Actual income tax rate	31.4%	30.4%	29.1%	25.0%	25.4%	25.0%	26.3%	23.1%	21.5%

Note 10 GECS Marketable Securities Carried at Market

December 31 (In millions)	1992	1991
U.S. government and federal agency securities	$16,172	$11,597
Corporate stocks, bonds and non-U.S. securities	5,960	4,624
Mortgage loans	974	910
State and municipal securities	1,048	719
	$24,154	$17,850

At December 31, 1992, the carrying value of equity securities held by insurance affiliates and carried at market value aggregated $1,505 million ($1,126 million in 1991). These amounts included unrealized gains of $131 million ($70 million in 1991) and unrealized losses of $37 million ($51 million in 1991), respectively, recognized in equity.

A significant portion of securities carried at market value at December 31, 1992, was pledged as collateral for bank loans and repurchase agreements in connection with securities broker-dealer operations.

Note 11 Marketable Securities — Other

Carrying value of marketable securities held by GE, other than GECS, was substantially the same as fair value at year-end 1992 and 1991.

At December 31, 1991, GECS carried its investment in the portfolio of marketable securities, other than those included in note 10, at amortized cost based on management's ability and intent to hold such securities to maturity. Most of these securities are held by businesses in the GECS Specialty Insurance segment. At December 31, 1992, although there was no intent to sell these securities, management acknowledged that, for a portion of this portfolio, sale may be an appropriate future response to changes in evaluations of issuers, changes in interest rates, cash requirements, tax positions or other factors. In order to reflect this potential, $9,033 million of these marketable debt securities were classified in 1992 as securities available for sale. Consequently, at December 31, 1992, such securities were accounted for at the lower of aggregate cost or market. The balance of the portfolio was carried at amortized cost. Certain information about GECS' marketable debt securities follows.

GECS marketable debt securities (In millions)	Carrying value	Estimated fair value	Gross unrealized gains (a)	Gross unrealized losses (a)
December 31, 1992				
State and municipal securities	$ 6,626	$ 6,951	$339	$(14)
Corporate, non-U.S. and other securities	4,097	4,167	70	—
U.S. government and federal agency securities	255	264	10	(1)
Mortgage-backed securities	246	252	7	(1)
	$11,224	$11,634	$426	$(16)
December 31, 1991				
State and municipal securities	$ 5,978	$ 6,266	$289	$ (1)
Corporate, non-U.S. and other securities	1,548	1,559	13	(2)
U.S. government and federal agency securities	267	281	14	—
Mortgage-backed securities	137	145	8	—
	$ 7,930	$ 8,251	$324	$ (3)

(a) December 31, 1992, amounts include gross unrealized gains and losses of $32 million and $5 million, respectively, on marketable debt securities carried at amortized cost.

Contractual maturities of marketable debt securities, other than mortgage-backed securities, at December 31, 1992, are shown below.

GECS contractual maturities (excluding mortgage-backed securities) (In millions)	Carrying value	Estimated fair value
Due in		
1993	$2,701	$2,710
1994-1997	1,632	1,709
1998-2001	1,257	1,320
2002 and later	5,388	5,643

It is expected that actual maturities will differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Proceeds from sales of debt securities in 1992 were $3,514 million ($2,814 million in 1991 and $1,647 million in 1990). Gross realized gains were $171 million in 1992 ($106 million in 1991 and $70 million in 1990). Gross realized losses were $4 million in 1992 ($9 million in 1991 and $4 million in 1990).

Note 12 GE Current Receivables

December 31 (In millions)	1992	1991
Aircraft Engines	$2,047	$2,159
Appliances	446	487
Broadcasting	463	433
Industrial	1,150	1,232
Materials	719	753
Power Systems	1,389	1,315
Technical Products and Services	696	726
All Other	232	266
Corporate	498	379
	7,640	7,750
Less allowance for losses	(178)	(181)
	$7,462	$7,569

During 1992, certain international receivables were reclassified to reflect more closely their appropriate industry segment. Data for 1991 have been reclassified to conform with the 1992 presentation.

Of the total receivables balance, $5,284 million and $5,692 million were from sales of goods and services to customers, and $170 million and $169 million were from transactions with associated companies at December 31, 1992 and 1991, respectively.

Current receivables of $256 million at year-end 1992 and $311 million at year-end 1991 arose from sales, principally of aircraft engine goods and services, on open account to various agencies of the U.S. government, which is GE's largest single customer (about 9% of GE's sales of goods and services were to the U.S. government in each of the last three years). At December 31, 1992 and 1991, $651 million and $688 million, respectively, of current receivables were from sales on open account of aircraft engine goods and services to airline industry customers.

Note 13 GE Inventories

December 31 (In millions)	1992	1991
Raw materials and work in process	$ 3,598	$ 3,936
Finished goods	2,596	3,191
Unbilled shipments	188	206
	6,382	7,333
Less revaluation to LIFO	(1,808)	(2,012)
	$ 4,574	$ 5,321

LIFO revaluations decreased $204 million in 1992 compared with a $141 million decrease in 1991 and an $89 million increase in 1990. Included in these changes were decreases of $183 million, $111 million and $15 million (1992, 1991 and 1990, respectively) due to lower inventory levels. There were nominal price decreases in 1992 and 1991 and a price increase in 1990. At December 31, 1992, GE is obligated to acquire, under take-or-pay or similar arrangements, about $275 million per year of raw materials at market prices through 1997.

Note 14 GECS Financing Receivables (investment in time sales, loans and financing leases)

December 31 (In millions)	1992	1991
Time sales and loans		
Specialized financing	$18,725	$19,461
Consumer services	15,267	15,351
Mid-market financing	3,952	2,961
Equipment management	71	—
	38,015	37,773
Deferred income	(945)	(924)
Time sales and loans — net of deferred income	37,070	36,849
Investment in financing leases		
Direct financing leases	20,890	17,180
Leveraged leases	3,035	3,231
	23,925	20,411
	60,995	57,260
Less allowance for losses	(1,607)	(1,508)
	$59,388	$55,752

Time sales and loans represents transactions in a variety of forms, including time sales, revolving charge and credit, mortgages, installment loans, intermediate-term loans, and revolving loans secured by business assets and mandatorily redeemable preferred stock. The portfolio includes time sales and loans carried at the principal amount on which finance charges are billed periodically, and time sales and loans acquired on a discount basis carried at gross book value, which includes finance charges. At year-end 1992 and 1991, specialized financing loans included $10,526 million and $10,427 million, respectively, for commercial real estate loans and $5,262 million and $6,545 million, respectively, for highly leveraged transactions.

At December 31, 1992, contractual maturities for time sales and loans over the next five years and after are: $14,900 million in 1993; $5,350 million in 1994; $3,848 million in 1995; $3,811 million in 1996; $3,654 million in 1997; and $6,452 million in 1998 and later — aggregating $38,015 million. Experience has shown that a substantial portion of receivables will be paid prior to contractual maturity. Accordingly, the maturities of time sales and loans are not to be regarded as forecasts of future cash collections.

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

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

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

GECS' investment in financing leases is shown on the following page.

Investment in financing leases	Total financing leases		Direct financing leases		Leveraged leases	
December 31 (In millions)	1992	1991	1992	1991	1992	1991
Total minimum lease payments receivable	$38,172	$35,074	$25,390	$21,530	$12,782	$13,544
Less principal and interest on third-party nonrecourse debt	(9,446)	(9,828)	—	—	(9,446)	(9,828)
Rentals receivable	28,726	25,246	25,390	21,530	3,336	3,716
Estimated unguaranteed residual value of leased assets	4,352	3,735	3,115	2,536	1,237	1,199
Less deferred income(a)	(9,153)	(8,570)	(7,615)	(6,886)	(1,538)	(1,684)
Investment in financing leases (as shown on the previous page)	23,925	20,411	20,890	17,180	3,035	3,231
Less amounts to arrive at net investment						
Allowance for losses	(560)	(407)	(481)	(349)	(79)	(58)
Deferred taxes arising from financing leases	(4,553)	(4,061)	(1,986)	(1,667)	(2,567)	(2,394)
Net investment in financing leases	$18,812	$15,943	$18,423	$15,164	$ 389	$ 779

(a) Total financing lease deferred income is net of deferred initial direct costs of $73 million and $69 million for 1992 and 1991, respectively.

At December 31, 1992, contractual maturities for rentals receivable over the next five years and after are: $6,208 million in 1993; $4,978 million in 1994; $4,223 million in 1995; $2,893 million in 1996; $1,818 million in 1997; and $8,606 million in 1998 and later — aggregating $28,726 million. As with time sales and loans, experience has shown that a portion of receivables will be paid prior to contractual maturity and these amounts should not be regarded as forecasts of future cash flows.

Under arrangements with customers, GE Capital has committed to lend funds ($2,702 million and $2,755 million at December 31, 1992 and 1991, respectively) and has issued sundry financial guarantees and letters of credit ($1,814 million and $1,913 million at December 31, 1992 and 1991, respectively). Note 21 discusses financial guaranties of insurance affiliates.

At December 31, 1992 and 1991, GE Capital was conditionally obligated to advance $2,236 million and $2,083 million, respectively, principally under performance-based standby lending commitments. GE Capital also was obligated for $2,147 million and $3,082 million at year-end 1992 and 1991, respectively, under standby liquidity facilities related to third-party commercial paper programs, although management believes that the prospects of being required to fund under such standby facilities are remote.

Nonearning consumer time sales and loans, primarily private-label credit card receivables, amounted to $444 million and $556 million at December 31, 1992 and 1991, respectively. A majority of these receivables were subject to various loss-sharing arrangements that provide full or partial recourse to the originating private-label entity. Nonearning and reduced earning receivables other than consumer time sales and loans were $934 million and $990 million at year-end 1992 and 1991, respectively. Earnings of $30 million and $44 million realized in 1992 and 1991, respectively, were $75 million and $83 million lower than would have been reported had these receivables earned income in accordance with their original terms.

Additional information regarding GECS' financing receivables is included in Management's Discussion of GECS Operations beginning on page 37.

Note 15 Property, Plant and Equipment (including equipment leased to others)

December 31 (In millions)	1992	1991
Original cost		
GE		
Land and improvements	$ 375	$ 329
Buildings, structures and related equipment	5,398	5,022
Machinery and equipment	14,936	14,449
Leasehold costs and manufacturing plant under construction	1,183	1,159
Other	86	86
	21,978	21,045
GECS		
Buildings and equipment	1,733	1,336
Equipment leased to others		
Aircraft	2,850	2,273
Marine shipping containers	2,584	2,045
Vehicles	2,274	1,938
Railroad rolling stock	1,478	1,410
Other	2,758	2,026
	13,677	11,028
	$35,655	$32,073
Accumulated depreciation, depletion and amortization		
GE	$12,046	$11,070
GECS		
Buildings and equipment	673	531
Equipment leased to others	2,549	2,140
	$15,268	$13,741

Included in GECS' equipment leased to others at year-end 1992 was $94 million of commercial aircraft off-lease ($132 million in 1991).

Current-year amortization of GECS' equipment leased to others was $1,133 million, $1,055 million and $835 million in 1992, 1991 and 1990, respectively.

Note 16 Intangible Assets

December 31 (In millions)	1992	1991
GE		
Goodwill	$5,873	$5,807
Other intangibles	734	729
	6,607	6,536
GECS		
Goodwill	1,841	1,804
Other intangibles	1,062	686
	2,903	2,490
	$9,510	$9,026

GE's intangible assets are shown net of accumulated amortization of $1,476 million in 1992 and $1,245 million in 1991. GECS' intangible assets are net of accumulated amortization of $646 million in 1992 and $441 million in 1991.

Note 17 All Other Assets

December 31 (In millions)	1992	1991
GE		
Investments in associated companies (including advances of $196 and $81)	$ 1,301	$ 1,850
Investments in government and government-guaranteed securities	274	283
Miscellaneous investments	336	67
Marketable equity securities	54	50
Prepaid pension asset	3,310	2,657
Other	2,230	1,879
	7,505	6,786
GECS		
Investments in associated companies (including advances of $687 and $538)	1,720	1,409
Miscellaneous investments	2,216	2,563
Assets acquired for resale, at lower of cost or market	3,388	1,628
Deferred insurance acquisition costs	720	606
Foreclosed real estate properties	304	278
Other	848	948
	9,196	7,432
Eliminations	(76)	—
	$16,625	$14,218

GE. The aggregate fair value of marketable equity securities that are carried at cost was $83 million and $51 million at year-end 1992 and 1991, respectively. Gross unrealized gains and losses were $30 million and $1 million, respectively, at December 31, 1992.

In line with industry practice, sales of commercial jet aircraft engines often involve long-term customer financing commitments. In making such commitments, it is GE's general practice to require that it have, or be able to establish, a secured position in the aircraft being financed. Under such airline financing programs, GE had issued loans and guarantees (principally guarantees) amounting to $974 million at year-end 1992 and $463 million at year-end 1991; and it had entered into commitments totaling $2.3 billion and $2.8 billion at year-end 1992 and 1991, respectively, to provide financial assistance on future aircraft engine sales. Estimated fair values of the aircraft securing these receivables and guarantees exceeded the related account balances or guaranteed amounts at December 31, 1992. GECS acts as a lender and lessor to the commercial airline industry. At December 31, 1992 and 1991, the aggregate amount of such GECS loans, leases and equipment leased to others was $5,978 million and $5,759 million, respectively.

At year-end 1992, the National Broadcasting Company had $1,384 million of commitments to acquire broadcast material or the rights to broadcast television programs that require payments through the year 2000.

GECS. Miscellaneous investments included $275 million and $1,127 million at December 31, 1992 and 1991, respectively, of in-substance repossessions at the lower of cost or estimated fair value previously included in financing receivables. GECS' mortgage-servicing activities include the purchase and resale of mortgages. It had open commitments to purchase mortgages totaling $2,963 million and $1,005 million at December 31, 1992 and 1991, respectively; and it had open commitments to sell mortgages totaling $1,777 million and $663 million, respectively, at year-end 1992 and 1991. At December 31, 1992 and 1991, mortgages sold with full or partial recourse to GECS aggregated $3,876 million and $5,530 million, respectively.

Note 18 Borrowings

Short-term borrowings	1992		1991	
December 31 (In millions)	Amount	Average rate	Amount	Average rate
GE				
Commercial paper	$ 1,175	3.53%	$ 1,369	5.43%
Payable to banks (principally non-U.S.)	456	8.73	1,464	11.93
Notes to trust departments	269	3.14	297	4.77
Other (a)	1,548		352	
	3,448		3,482	
GECS				
Commercial paper	42,168	3.57	38,822	5.12
Payable to banks	4,516	4.20	3,003	5.20
Notes to trust departments	1,659	3.54	897	4.90
Other (a)	4,840		5,348	
	53,183		48,070	
Eliminations	(242)		(202)	
	$56,389		$51,350	

(a) Includes the current portion of long-term debt.

Confirmed credit lines of approximately $3.1 billion had been extended to GE by 44 banks at year-end 1992. Substantially all of GE's credit lines are available to GE Capital and GECS in addition to their own credit lines.

At year-end 1992, GE Capital had committed lines of credit aggregating $17.5 billion with 155 banks, including $2.9 billion of revolving credit agreements pursuant to which GE Capital has the right to borrow funds for periods exceeding one year. A total of $4.3 billion of GE Capital's credit lines is available for use by GECS; $1.7 billion is available for use by GE.

During 1992, neither GE nor GECS borrowed under any of these credit lines. Both compensate banks for credit facilities either in the form of fees or a combination of balances and fees as agreed to with each bank. Compensating balances and commitment fees were immaterial in each of the last three years.

Kidder, Peabody had established credit lines of $5.2 billion at December 31, 1992, including $2.6 billion available on an unsecured basis. Borrowings from banks were primarily unsecured demand obligations, at interest rates approximating broker call loan rates, to finance inventories of securities and to facilitate the securities settlement process.

Aggregate amounts of long-term borrowings that mature during the next five years, after deducting debt reacquired for sinking-fund needs, are as follows.

(In millions)	1993	1994	1995	1996	1997
GE	$1,359	$ 821	$ 274	$ 527	$ 600
GECS	4,300	4,243	4,557	3,334	2,750

Outstanding balances in long-term borrowings at December 31, 1992 and 1991, are as follows.

Long-term borrowings December 31 (In millions)	Weighted average interest rate	Maturities	1992	1991
GE				
Notes (a) (b)	6.80%	1994-1998	$ 2,298	$ 2,650
Extendible notes (c)			—	300
Debentures/sinking-fund debentures	8.63	2016	300	486
Deep discount notes	7.66	1994	150	350
Industrial development/pollution control bonds	3.09	1995-2019	272	246
Other (a) (d)			400	300
			3,420	4,332
GECS				
Senior notes				
Notes (a) (e)	8.28	1994-2009	18,087	14,170
Master notes			—	39
Zero coupon/deep discount notes	13.82	1994-2001	1,578	1,952
Extendible, reset or remarketed notes (c)	8.17	1994-2018	1,500	1,522
Floating rate notes	(f)	1995-2050	496	926
Less unamortized discount/premium			(464)	(645)
			21,197	17,964
Subordinated notes (g)	8.13	1994-2012	760	386
			21,957	18,350
Eliminations			(1)	(1)
			$25,376	$22,681

(a) At December 31, 1992, GE and GECS had agreed to exchange currencies on principal amounts equivalent to U.S. $1,224 million and $6,499 million, respectively, and related interest payments. GE and GECS also had entered into interest rate swaps relating to interest on $2,352 million and $8,549 million, respectively. At December 31, 1991, GE and GECS had agreed to exchange currencies on principal amounts equivalent to U.S. $1,083 million and $4,994 million, respectively, and related interest payments. GE and GECS also had entered into interest rate swaps related to interest on $1,521 million and $5,925 million, respectively.

(b) At December 31, 1991, $250 million of the current portion of long-term notes were reclassified as long-term debt based on GE's ability and intent to refinance such debt. This amount was refinanced during 1992.

(c) Interest rates are reset at the end of the initial and each subsequent interest period. At each rate-reset date, GE and GECS may redeem notes in whole or in part at their option; the extendible notes are repayable at the option of the holder at face value plus accrued interest. The current interest period for GE notes ends in April 1993; current interest periods range from March 1994 to May 1996 for GECS notes. Notes are included in the current portion of long-term debt when the rate-reset date is within one year.

(d) Includes original issue premium and discount and a variety of obligations having various interest rates and maturities, including borrowings by parent operating components and all affiliate borrowings.

(e) At December 31, 1992 and 1991, counterparties held options under which GECS can be caused to execute interest rate swaps associated with interest payments through 1999 on $625 million.

(f) The rate of interest payable on each note is a variable rate based on the commercial paper rate each month. Interest is payable either monthly or semiannually at the option of GECS.

(g) Includes $700 million at December 31, 1992, guaranteed by GE.

Note 19 GECS Securities Sold but Not Yet Purchased, at Market

December 31 (In millions)	1992	1991
U.S. government	$ 9,570	$3,878
Corporate stocks, bonds and non-U.S. securities	1,802	979
State and municipal securities	41	27
	$11,413	$4,884

Note 20 GE All Other Current Costs and Expenses Accrued

At year-end 1992 and 1991, this account included taxes accrued of $1,460 million and $1,350 million, respectively, and compensation and benefit accruals of $705 million and $795 million, respectively. Also included are amounts for product warranties, estimated costs on shipments billed to customers and a wide variety of sundry items.

Note 21 Reserves of Insurance Affiliates

Reserves of insurance affiliates represents unearned premiums and provisions for policy losses and benefits relating to their property and casualty, life, and financial and mortgage guaranty insurance. The estimated liability for insurance losses and loss expenses consists of both case and incurred-but-not-reported reserves. Where experience is not sufficient, industry averages are used. Estimated amounts of salvage and subrogation recoverable on paid and unpaid losses are deducted from outstanding losses.

The liability for future policy benefits of the life insurance affiliates has been computed mainly by a net-level-premium method based on assumptions for investment yields, mortality and terminations that were appropriate at date of purchase or at the time the policies were developed, including provisions for adverse deviations.

Financial guaranties, principally by GE Capital's Financial Guaranty Insurance Company, net of reinsurance, were $67.6 billion and $52.5 billion at year-end 1992 and 1991, respectively. Mortgage insurance risk in force of GE Capital's mortgage insurance operations aggregated $21.3 billion and $17.1 billion at December 31, 1992 and 1991, respectively.

Note 22 GE All Other Liabilities

This account includes noncurrent compensation and benefit accruals at year-end 1992 and 1991 of $3,743 million and $3,908 million, respectively. Other noncurrent liabilities include amounts for product warranties, deferred incentive compensation, deferred income and a wide variety of sundry items.

Note 23 Deferred Income Taxes

Aggregate deferred tax amounts are summarized below.

December 31 (In millions)	1992	1991
Assets		
GE	$ 2,864	$ 3,130
GECS	1,810	1,233
	4,674	4,363
Liabilities		
GE	2,535	2,107
GECS	6,679	6,085
	9,214	8,192
Net deferred tax liability	$ 4,540	$ 3,829

Principal components of the net deferred tax liability balances are shown below for GE and GECS.

December 31 (In millions)	1992	1991
GE		
Provisions for expenses	$(1,491)	$(1,582)
Retiree and health insurance	(965)	(1,014)
AMT credit carryforwards	(2)	(140)
GE pension	957	743
Depreciation	829	841
Other — net	343	129
	(329)	(1,023)
GECS		
Financing leases	4,553	4,061
Operating leases	811	691
Tax transfer leases	329	327
Provision for losses	(715)	(496)
Insurance reserves	(344)	(308)
AMT credit carryforwards	(200)	—
Other — net	435	577
	4,869	4,852
Net deferred tax liability	$ 4,540	$ 3,829

Deferred taxes for 1992 were determined under SFAS No. 109 — "Accounting for Income Taxes," which was adopted effective January 1, 1992. Deferred taxes for 1991 were determined under SFAS No. 96 — "Accounting for Income Taxes."

Note 24 Minority Interest in Equity of Consolidated Affiliates

Minority interest in equity of consolidated GECS affiliates includes 8,750 shares of $100 par value variable cumulative preferred stock issued by GE Capital with a liquidation preference value of $875 million. Dividend rates on this preferred stock ranged from 2.44% to 3.49% during 1992 and from 3.395% to 5.65% during 1991.

Note 25 Share Owners' Equity

(In millions)	1992	1991	1990
Common stock issued			
Balance at January 1 and December 31	$ 584	$ 584	$ 584
Other capital			
Balance at January 1	$ 938	$ 1,061	$ 826
Currency translation adjustments	(209)	(175)	284
Unrealized gains (losses) on securities held by insurance affiliates	30	45	(33)
Gains (losses) on treasury stock dispositions	(4)	7	(16)
Balance at December 31	$ 755	$ 938	$ 1,061
Retained earnings			
Balance at January 1	$23,787	$22,959	$20,352
Net earnings	4,725	2,636	4,303
Dividends declared	(1,985)	(1,808)	(1,696)
Balance at December 31	$26,527	$23,787	$22,959
Common stock held in treasury			
Balance at January 1	$ 3,626	$ 2,924	$ 872
Purchases	1,206	1,112	2,468
Dispositions	(425)	(410)	(416)
Balance at December 31	$ 4,407	$ 3,626	$ 2,924

Authorized shares of common stock (par value $0.63) total 1,100,000,000 shares. Common shares issued and outstanding are summarized in the table below.

Shares of GE common stock December 31 (In thousands)	1992	1991	1990
Issued	926,564	926,564	926,564
In treasury	(71,135)	(62,442)	(53,444)
Outstanding	855,429	864,122	873,120

GE preferred stock up to 50,000,000 shares ($1.00 par value) is authorized, but no such shares have been issued.

In connection with the share repurchase program, authorized by GE's Board of Directors in November 1989, the Company in 1992 reacquired and placed in treasury 14,643,100 shares of its common stock at a cost of $1,132 million. As of December 31, 1992, total common stock reacquired under the program amounted to 71,390,750 shares with an aggregate cost of $4,801 million. GE announced on July 15, 1992, that it will conclude this program at $5 billion, a level expected to be reached by the end of the first half of 1993.

The effects of translating to U.S. dollars the financial statements of non-U.S. affiliates whose functional currency is the local currency are included in other capital. Asset and liability accounts are translated at year-end exchange rates, while revenues and expenses are translated at average rates for the period. Cumulative currency translation adjustments were $33 million, $242 million and $417 million of additions to other capital at December 31, 1992, 1991 and 1990, respectively.

Note 26 Other Stock-Related Information

Stock option plans, stock appreciation rights, restricted stock and restricted stock units are described in the Company's current Proxy Statement. Requirements for stock option shares may be met within certain restrictions from either unissued or treasury shares.

Stock option information		Average per share	
(Shares in thousands)	Shares subject to option	Option price	Market price
Balance at January 1, 1992	25,642	$55.87	$76.50
Options granted	7,835	77.88	77.88
Options exercised	(4,850)	46.05	80.51
Options surrendered on exercise of appreciation rights	(1,019)	43.67	82.83
Options terminated	(457)	65.23	—
Balance at December 31, 1992	27,151	64.28	85.50

Shares available for granting options at the end of 1992 were 8,755,078 (compared with 8,108,433 at the end of 1991). Under the 1990 Long-Term Incentive Plan (the only plan under which options may be granted), 0.95% of the Company's issued common stock (including treasury shares) as of the first day of each calendar year during which the Plan is in effect become available for granting awards in such year. Any unused portion, in addition to shares allocated to awards that are canceled or forfeited, is available for later years.

Outstanding options and rights expire on various dates through December 20, 2002.

Note 27 Supplemental Cash Flows Information

Changes in operating assets and liabilities are net of acquisitions and dispositions of businesses. "Payments for principal businesses purchased" in the Statement of Cash Flows is net of cash acquired and includes debt assumed and immediately repaid in acquisitions.

"All other operating activities" in the Statement of Cash Flows consists principally of adjustments to current and noncurrent accruals of costs and expenses, amortization of premium and discount on debt, and adjustments to assets such as amortization of goodwill and intangibles.

The Statement of Cash Flows excludes certain noncash transactions that had no significant effects on the investing or financing activities of GE or GECS.

Certain supplemental information for GECS' cash flows is shown below.

For the years ended December 31 (In millions)	1992	1991	1990
Selected broker-dealer accounts			
Marketable securities of broker-dealer	$ (5,966)	$ (5,463)	$ (3,915)
Securities purchased under agreements to resell	(7,386)	4,006	(7,388)
Securities sold under agreements to repurchase	7,841	349	11,269
Securities sold but not yet purchased	6,529	(440)	1,234
	$ 1,018	$ (1,548)	$ 1,200
Financing receivables			
Increase in loans to customers	$(27,069)	$(25,030)	$(25,678)
Principal collections from customers	25,136	25,289	22,028
Investment in equipment for financing leases	(7,758)	(8,829)	(5,214)
Principal collections on financing leases	5,338	3,726	3,534
Net change in credit card receivables	(330)	(2,410)	(247)
	$ (4,683)	$ (7,254)	$ (5,577)
All other investing activities			
Purchases of marketable securities by insurance affiliates	$ (6,865)	$ (6,002)	$ (4,980)
Dispositions and maturities of marketable securities by insurance affiliates	6,200	5,415	3,983
Other	(3,003)	(1,538)	(733)
	$ (3,668)	$ (2,125)	$ (1,730)
Newly issued debt having maturities more than 90 days			
Short-term (91-365 days)	$ 4,456	$ 4,863	$ 4,162
Long-term (over one year)	6,699	6,317	6,365
Long-term subordinated	450	250	—
Proceeds — nonrecourse, leveraged lease debt	148	1,808	88
	$ 11,753	$ 13,238	$ 10,615
Repayments and other reductions of debt having maturities more than 90 days			
Short-term (91-365 days)	$ (6,474)	$ (6,504)	$ (5,457)
Long-term (over one year)	(658)	(1,769)	(298)
Long-term subordinated	(76)	(32)	—
Principal payments — nonrecourse, leveraged lease debt	(272)	(280)	(271)
	$ (7,480)	$ (8,585)	$ (6,026)

Note 28 GECS' Broker-Dealer Positions

December 31 (In millions)	1992	1991
Included in GECS' other receivables		
Securities failed to deliver	$ 218	$ 293
Deposits paid for securities borrowed	1,976	909
Clearing organizations and other	930	1,193
	$3,124	$2,395
Included in GECS' accounts payable		
Securities failed to receive	$ 193	$ 402
Deposits received for securities loaned	1,051	1,236
Clearing organizations and other	100	199
	$1,344	$1,837

Kidder, Peabody, in conducting its normal operations, employs a wide variety of financial instruments in order to balance its investment positions. Management believes that the most meaningful measure of these positions for a broker-dealer is market value, the value at which the positions are presented in the Statement of Financial Position in accordance with securities industry practices. The following required supplemental disclosures of gross contract terms are indicators of the nature and extent of such broker-dealer positions and are not intended to portray the much smaller credit or economic risk.

At December 31, 1992, open commitments to sell mortgage-backed securities amounted to $17,191 million ($18,897 million in 1991); open commitments to purchase mortgage-backed securities amounted to $13,131 million ($13,545 million in 1991); interest rate swap agreements were open for interest on $6,038 million ($4,709 million in 1991); commitments amounting to $6,711 million ($9,234 million in 1991) were open under options written to cover price changes in securities; the face amount of open interest rate futures and forward contracts for currencies as well as money market and other instruments amounted to $10,936 million ($2,822 million in 1991); contracts establishing limits on counterparty exposure to interest rates were outstanding for interest on $2,722 million ($2,406 million in 1991); and firm underwriting commitments for the purchase of stock or debt amounted to $4,094 million ($1,738 million in 1991).

Note 29 Fair Values of Financial Instruments

As required under generally accepted accounting principles, financial instruments are presented in the accompanying financial statements — generally at either cost or fair value, based on both the characteristics of and management intentions regarding the instruments. Management believes that the financial statement presentation is the most useful for displaying the Company's results. However, SFAS No. 107 — "Disclosure About Fair Value of Financial Instruments" requires disclosure of an estimate of the fair value of certain financial instruments. These disclosures disregard management intentions regarding the instruments, and therefore, management believes that this information may be of limited usefulness.

Apart from the Company's own borrowings and financial instruments of Kidder, Peabody, relatively few of the Company's financial instruments are actively traded. Thus, fair values must often be determined by using one or more models that indicate value based on estimates of quantifiable characteristics as of a particular date. Because this undertaking is, by nature, difficult and highly judgmental, for a limited number of instruments, alternative valuation techniques indicate values sufficiently diverse that the only practicable disclosure is a range of values. Users of the following data are cautioned that limitations in the estimation techniques may have produced disclosed values different from those that could have been realized at December 31, 1992. Moreover, the disclosed values are representative of fair values only as of December 31, 1992, inasmuch as interest rates, performance of the economy, tax policies and other variables significantly impact fair valuations. For GECS, marketable securities carried at market value, reverse repurchase agreements, repurchase agreements and other receivables have been excluded as their carrying amounts and fair values are approximately the same.

Values were estimated as follows.

Marketable securities — other. Based on quoted December 31, 1992, market prices or dealer quotes for actively traded securities. Value of other such securities was estimated using quoted market prices for similar securities.

Time sales, loans and related participations. Based on quoted market prices, recent transactions, market comparables and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers at December 31, 1992.

Investments in associated companies. GECS' investments are based on market comparables, recent transactions and/or discounted future cash flows as of December 31, 1992. These equity interests were generally acquired in connection with financing transactions and, for purposes of this disclosure, fair values were estimated. GE's investments (aggregating $1,301 million as of December 31, 1992) comprise many small investments, many of which are located outside the United States, and generally involve joint ventures for specific, limited objectives; determination of fair values is impracticable.

Other financial instruments. Based on recent comparable transactions, market comparables, discounted future cash flows, quoted market prices, and/or estimates of the December 31, 1992, cost to terminate or otherwise settle obligations to counterparties.

Borrowings. Based on December 31, 1992, quoted market prices or market comparables. Fair values of interest rate and currency swaps are included in the associated borrowings values and include the effects of counterparty creditworthiness.

Financial guaranties of insurance affiliates. Based on future cash flows, considering expected renewal premiums, claims, refunds and servicing costs, discounted at a market rate.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1992, are as follows.

Assets (liabilities) (In millions)	Carrying amount	Estimated fair value
GE		
Cash and equivalents	$ 1,189	$ 1,189
Marketable securities — other	32	32
Other financial instruments	832	869
Borrowings	(6,868)	(6,991)
GECS		
Cash and equivalents	1,940	1,940
Marketable securities — other	11,224	11,634
Time sales, loans and related participations	36,131	37,420-36,240
Investments in associated companies	1,720	2,295-2,180
Other financial instruments	2,430	2,545-2,405
Borrowings (a)	(75,140)	(76,400)
Financial guaranties of insurance affiliates	(1,036)	200-55

(a) Proceeds from borrowings are invested in a variety of GECS activities, including both financial instruments, shown in the preceding table, as well as leases, for which fair value disclosures are neither required nor reasonably estimable. When evaluating the extent to which estimated fair value of borrowings exceeds the related carrying amount, users should consider that the fair value of the fixed payment stream for long-term leases would increase as well.

Note 30 Industry Segments

Revenues

For the years ended December 31

(In millions)	Total revenues 1992	Total revenues 1991	Total revenues 1990	Intersegment revenues 1992	Intersegment revenues 1991	Intersegment revenues 1990	External revenues 1992	External revenues 1991	External revenues 1990
GE									
Aircraft Engines	$ 7,368	$ 7,777	$ 7,504	$ 57	$ 29	$ —	$ 7,311	$ 7,748	$ 7,504
Appliances	5,330	5,225	5,592	3	4	3	5,327	5,221	5,589
Broadcasting	3,363	3,121	3,236	—	1	—	3,363	3,120	3,236
Industrial	6,907	6,783	6,644	267	327	323	6,640	6,456	6,321
Materials	4,853	4,736	5,140	51	51	53	4,802	4,685	5,087
Power Systems	6,371	6,189	5,600	272	265	185	6,099	5,924	5,415
Technical Products and Services	4,674	4,686	4,259	68	99	114	4,606	4,587	4,145
All Other	1,749	1,545	1,369	—	—	—	1,749	1,545	1,369
Corporate items and eliminations	(361)	(468)	(285)	(718)	(776)	(678)	357	308	393
Total GE	40,254	39,594	39,059	—	—	—	40,254	39,594	39,059
GECS									
Financing	10,544	10,069	9,000	—	—	—	10,544	10,069	9,000
Specialty Insurance	3,863	2,989	2,853	—	—	—	3,863	2,989	2,853
Securities Broker-Dealer	4,022	3,346	2,923	—	—	—	4,022	3,346	2,923
All Other	11	(5)	(2)	—	—	—	11	(5)	(2)
Total GECS	18,440	16,399	14,774	—	—	—	18,440	16,399	14,774
Eliminations	(1,621)	(1,364)	(1,214)	—	—	—	(1,621)	(1,364)	(1,214)
Consolidated revenues	$57,073	$54,629	$52,619	$ —	$ —	$ —	$57,073	$54,629	$52,619

Assets At December 31

Property, plant and equipment (including equipment leased to others) For the years ended December 31

(In millions)	Assets 1992	Assets 1991	Assets 1990	Additions 1992	Additions 1991	Additions 1990	Depreciation, depletion and amortization 1992	Depreciation, depletion and amortization 1991	Depreciation, depletion and amortization 1990
GE									
Aircraft Engines	$ 6,153	$ 6,649	$ 5,853	$ 276	$ 371	$ 365	$ 294	$ 295	$ 291
Appliances	2,248	2,503	2,666	126	118	106	105	106	100
Broadcasting	3,736	3,886	4,461	52	70	74	82	84	84
Industrial	4,983	4,824	4,559	299	320	426	282	262	259
Materials	8,081	8,340	7,973	255	784	693	393	369	325
Power Systems	3,614	3,450	3,073	245	267	230	159	144	139
Technical Products and Services	2,393	2,629	2,685	118	148	137	74	98	101
All Other	9,719	8,750	7,721	1	6	6	5	5	6
Corporate items and eliminations	7,148	6,119	5,460	73	80	65	89	66	54
Total GE	48,075	47,150	44,451	1,445	2,164	2,102	1,483	1,429	1,359
GECS									
Financing	82,207	74,554	65,461	4,761	3,688	2,893	1,259	1,161	916
Specialty Insurance	14,624	11,812	10,614	17	11	31	13	8	11
Securities Broker-Dealer	55,455	41,218	38,845	32	31	38	34	38	31
All Other	2,238	230	175	118	41	28	29	18	16
Total GECS	154,524	127,814	115,095	4,928	3,771	2,990	1,335	1,225	974
Eliminations	(9,723)	(8,456)	(7,546)	—	—	—	—	—	—
Consolidated totals	$192,876	$166,508	$152,000	$6,373	$5,935	$5,092	$2,818	$2,654	$2,333

During 1992, revenues of certain international activities were reclassified to reflect more closely their appropriate industry segment. Data for 1991 and 1990 have been reclassified to conform with the 1992 presentation. "All other" GE revenues consists primarily of GECS' earnings. "All other" GE assets consists primarily of investment in GECS.

A description of industry segments for General Electric Company and consolidated affiliates follows.

- ***Aircraft Engines.*** Jet engines and replacement parts and repair services for all categories of commercial aircraft (short/medium, intermediate and long range); a wide variety of military planes, including fighters, bombers, tankers and helicopters; and executive and commuter aircraft. Sold worldwide to airframe manufacturers, airlines and government agencies. Also, aircraft engine derivatives used as marine propulsion and industrial power sources.

- ***Appliances.*** Major appliances such as refrigerators, freezers, electric and gas ranges, dishwashers, clothes washers and dryers, microwave ovens and room air conditioning equipment. Sold primarily in North America, but also in global markets, under various GE and private-label brands. Distributed to retail outlets, mainly for the replacement market, and to building contractors and distributors for new installations.

- ***Broadcasting.*** Primarily the National Broadcasting Company (NBC). Principal businesses are furnishing of U.S. network television services to more than 200 affiliated stations, production of television programs, operation of six VHF television broadcasting stations, and investment and programming activities in cable television.

- ***Industrial.*** Lighting products (including a wide variety of lamps, wiring devices and quartz products); electrical distribution and control equipment; transportation systems products (including diesel-electric locomotives, transit propulsion equipment and motorized wheels for off-highway vehicles); electric motors and related products; a broad range of electrical and electronic industrial automation products; and GE Supply, a U.S. network of electrical supply houses. Markets are extremely varied. Products are sold to commercial and industrial end users, original equipment manufacturers, electrical distributors, retail outlets, railways and transit authorities. Increasingly, products are developed for and sold in global markets.

- ***Materials.*** High-performance engineered plastics used in applications such as automobiles and housings for computers and other business equipment; ABS resins; silicones; superabrasives such as man-made diamonds; and laminates. Sold worldwide to a diverse customer base consisting mainly of manufacturers.

- ***Power Systems.*** Products mainly for the generation, transmission and distribution of electricity, including related installation, engineering and repair services. Markets and competition are global. Steam turbine-generators are sold to electric utilities, to the U.S. Navy, and, for cogeneration, to industrial and other power customers. Marine steam turbines and propulsion gears are sold to the U.S. Navy. Gas turbines are sold principally as packaged power plants for electric utilities and for industrial cogeneration and mechanical drive applications. Power Systems also includes power delivery and control products, such as transformers, meters, relays, capacitors and arresters for the utility industry; nuclear reactors; and fuel and support services for GE's installed boiling water reactors.

- ***Technical Products and Services.*** Medical systems such as magnetic resonance (MR) and computed tomography (CT) scanners, X-ray, nuclear imaging, ultrasound and other diagnostic equipment sold worldwide to hospitals and medical facilities. This segment also includes a full range of computer-based information and data interchange services for internal use and external commercial and industrial customers.

- ***GECS Financing.*** Operations of GE Capital as follows:

Consumer services — private-label and bank credit card loans, time sales and revolving credit and inventory financing for retail merchants, auto leasing and inventory financing and mortgage servicing.

Specialized financing — loans and financing leases for major capital assets, including aircraft, industrial facilities and equipment and energy-related facilities; commercial and residential real estate loans and investments; and loans to and investments in highly leveraged management buyouts and corporate recapitalizations.

Equipment management — leases, loans and asset management services for portfolios of commercial and transportation equipment, including aircraft, trailers, auto fleets, modular space units, railroad rolling stock, data processing equipment, ocean-going containers and satellites.

Mid-market financing — loans and financing and operating leases for middle-market customers, including manufacturers, distributors and end users, for a variety of equipment, including data processing equipment, medical and diagnostic equipment, and equipment used in construction, manufacturing, office applications and telecommunications activities.

Very few of the products financed by GE Capital are manufactured by other GE segments.

- ***GECS Specialty Insurance.*** U.S. and international multiple-line property and casualty reinsurance and certain directly written specialty insurance; financial guaranty insurance, principally on municipal bonds and structured finance issues; private mortgage insurance; creditor insurance covering international customer loan repayments; and life reinsurance.

- ***GECS Securities Broker-Dealer.*** Kidder, Peabody, a full-service international investment bank and securities broker, member of the principal stock and commodities exchanges and a primary dealer in U.S. government securities. Offers services such as underwriting, sales and trading, advisory services on acquisitions and financings, research and asset management.

Note 31 Geographic Segment Information (consolidated)

(In millions)	Revenues For the years ended December 31								
	Total revenues			Intersegment revenues			External revenues		
	1992	1991	1990	1992	1991	1990	1992	1991	1990
United States	$48,710	$47,277	$45,565	$ 1,281	$ 1,246	$ 1,128	$47,429	$46,031	$44,437
Other areas of the world	10,776	9,662	9,075	1,132	1,064	893	9,644	8,598	8,182
Intercompany eliminations	(2,413)	(2,310)	(2,021)	(2,413)	(2,310)	(2,021)	—	—	—
Total	$57,073	$54,629	$52,619	$ —	$ —	$ —	$57,073	$54,629	$52,619

(In millions)	Operating profit For the years ended December 31			Assets At December 31		
	1992	1991	1990	1992	1991	1990
United States	$ 6,883	$ 6,294	$ 6,040	$168,797	$147,648	$135,700
Other areas of the world	819	898	904	24,244	19,031	16,449
Intercompany eliminations	6	(22)	(38)	(165)	(171)	(149)
Total	$ 7,708	$ 7,170	$ 6,906	$192,876	$166,508	$152,000

U.S. revenues include GE exports to external customers, and royalty and licensing income from non-U.S. sources. Exports to external customers by major areas of the world are shown on page 36.

The Company manages its exposure to currency movements by committing to future exchanges of currencies at specified prices and dates. Commitments outstanding at December 31, 1992 and 1991, were $1,533 million and $2,339 million, respectively, for GE and $2,084 million and $615 million, respectively, for GECS, excluding Kidder, Peabody.

Note 32 Quarterly Information (unaudited)

(Dollar amounts in millions; per-share amounts in dollars)	First quarter 1992	First quarter 1991	Second quarter 1992	Second quarter 1991	Third quarter 1992	Third quarter 1991	Fourth quarter 1992	Fourth quarter 1991
Consolidated operations								
Earnings from continuing operations	$ 964	$ 893	$1,130	$1,032	$ 996	$ 941	$ 1,215	$ 1,118
Earnings from discontinued operations	94	106	86	99	114	101	126	145
Accounting change	—	(1,799)	—	—	—	—	—	—
Net earnings (loss)	$1,058	$ (800)	$1,216	$1,131	$1,110	$1,042	$ 1,341	$ 1,263
Per share								
Earnings from continuing operations	$ 1.12	$ 1.03	$ 1.32	$ 1.19	$ 1.17	$ 1.08	$ 1.42	$ 1.29
Earnings from discontinued operations	0.11	0.12	0.10	0.11	0.13	0.12	0.15	0.17
Accounting change	—	(2.07)	—	—	—	—	—	—
Net earnings (loss)	$ 1.23	$ (0.92)	$ 1.42	$ 1.30	$ 1.30	$ 1.20	$ 1.57	$ 1.46
Selected data								
GE								
Sales of goods and services	$7,996	$8,129	$9,513	$9,411	$9,242	$8,973	$11,192	$11,008
Gross profit from sales	2,083	2,215	2,496	2,692	2,123	2,302	2,824	2,416
GECS								
Revenues from operations	4,301	4,000	4,493	3,937	4,761	4,097	4,885	4,365
Operating profit	517	413	484	337	542	476	492	431

For GE, gross profit from sales is sales of goods and services less cost of goods and services sold. For GECS, operating profit is income before taxes.

Earnings-per-share amounts for each quarter are required to be computed independently and, because of the large purchases of treasury shares in connection with the GE Share Repurchase Program, will not be equal to the total year earnings-per-share amounts.

Corporate Information

Corporate Headquarters
General Electric Company
3135 Easton Turnpike
Fairfield, Conn. 06431
(203)373-2211

Annual Meeting
The 1993 Annual Meeting of the General Electric Company will be held on Wednesday, April 28, at the Grand Wayne Center in Fort Wayne, Ind.

Share Owner Inquiries
When inquiring about share owner matters, contact GE Securities Ownership Services, P.O. Box 120065, Stamford, Conn. 06912. Telephone: (203)326-4040.

Dividend Reinvestment Plan
Share owners who have one or more shares of GE stock registered in their names are eligible to invest cash up to $10,000 per month and/or reinvest their dividends in the GE Dividend Reinvestment and Share Purchase Plan. For an authorization form and prospectus, write to GE Securities Ownership Services, P.O. Box 120068, Stamford, Conn. 06912.

Principal Transfer Agent and Registrar
To transfer securities, contact The Bank of New York, Receive & Deliver Department, Church Street Station, P.O. Box 11002, New York, N.Y. 10286. Telephone: (800)524-4458.

Stock Exchange Information
In the United States, GE common stock is listed on the New York Stock Exchange (its principal market) and on the Boston Stock Exchange. GE common stock also is listed on certain foreign exchanges, including The Stock Exchange, London and the Tokyo Stock Exchange.

Trading and Dividend Information

(In dollars)	Common Stock Market Price High	Common Stock Market Price Low	Dividends declared
1992			
Fourth quarter	$\$87\frac{1}{2}$	$\$73\frac{1}{8}$	$.63
Third quarter	$79\frac{3}{4}$	73	.59
Second quarter	$79\frac{5}{8}$	$72\frac{3}{4}$	.55
First quarter	$80\frac{3}{4}$	$73\frac{5}{8}$	.55
1991			
Fourth quarter	$78\frac{1}{8}$	62	.55
Third quarter	$75\frac{3}{4}$	$67\frac{3}{8}$	.51
Second quarter	$77\frac{5}{8}$	$69\frac{1}{2}$	.51
First quarter	71	53	.51

As of December 7, 1992, there were about 475,000 share owners of record.

Form 10-K and Other Reports
The financial information in this report, in the opinion of management, substantially conforms with the information required in the "10-K Report" to be submitted to the Securities and Exchange Commission by the end of March. Certain supplemental information is in that report, however, and copies without exhibits will be available, without charge, from Corporate Investor Communications, General Electric Company, Fairfield, Conn. 06431.

Copies of the General Electric Pension Plan, the Summary Annual Report for GE employee benefit plans subject to the Employee Retirement Income Security Act of 1974, and other GE employee benefit plan documents and information are available by writing to Corporate Investor Communications and specifying the information desired.

GE Capital Services has a separate Annual Report, and both it and GE Capital Corporation file Form 10-K Reports with the Securities and Exchange Commission. Copies of these reports may be obtained from General Electric Capital Services, Inc., P.O. Box 8300, Stamford, Conn. 06927.

The Annual Reports of the General Electric Foundations also may be obtained by contacting their office at 3135 Easton Turnpike, Fairfield, Conn. 06431.

Corporate Ombudsman
To report concerns about U.S. federal government contracting matters or concerns relating to other laws or GE policies, contact the GE Corporate Ombudsman, P.O. Box 911, Fairfield, Conn. 06430. Telephone: (800)227-5003.

Product Information
For information about GE consumer products and services, call The GE Answer Center® service at (800)626-2000. For information about GE technical, commercial and industrial products and services, call the GE Business Information Center at (800)626-2004. For information about the varied financial products and services offered by GE Capital Corporation, call (800)243-2222.

Cassette Recordings
An audio cassette version of this Annual Report is available to the visually impaired. For a copy, contact GE Corporate Communications, 3135 Easton Turnpike, Fairfield, Conn. 06431. Telephone: (203)373-2020.

Note: Unless otherwise indicated by the context, the terms "GE," "General Electric" and "Company" are used on the basis of consolidation described on page 45. GENERAL ELECTRIC, GE and RCA are registered trademarks of General Electric Company; and NBC are registered trademarks of National Broadcasting Company, Inc.; ® and ™ indicate registered and unregistered trade and service marks.

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Fairfield, Connecticut 06431