

REUTERS

GE says Buffett to invest \$3 billion in shares

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By Scott Malone

General Electric Co said on Wednesday it would sell \$3 billion of preferred shares to Warren Buffett's Berkshire Hathaway Inc, with another \$12 billion in common shares going to the public.

GE shares, which were down more than 9 percent earlier in the day, took back some of their losses, but still remained down 5 percent at \$24.20 in afternoon trading on the New York Stock Exchange. The stock fell as low as \$23.09 on Wednesday.

The company expects to price the offering before the market opens on Thursday.

"GE is the symbol of American business to the world," Buffett said in a statement. "I am confident that GE will continue to be successful in the years to come."

The U.S. conglomerate's current market capitalization stands at about \$245 billion. Its stock has lost about 34 percent of its value so far this year as weakness at its GE Capital finance unit offset strong growth in its core industrial business, which makes heavy equipment like jet engines and electricity-producing turbines.

"The economic environment remains volatile," said GE Chairman and Chief Executive Jeff Immelt in a statement. "However, the company's performance remains on track with the earnings guidance we provided last week for 2008."

Last week GE warned that its 2008 profit could fall by as much as 12 percent.

Buffett, one of America's most famous investors, last week said he would invest \$5 billion in Wall Street's Goldman Sachs Group Inc.

Goldman is also serving as bookrunner for GE's share offering.

Joe Saluzzi, co-manager of trading at **Themis Trading** in Chatham, New Jersey, said that when you are looking for a "market bottom", "you want smart money to come in and say, 'I'm coming in there and putting my money down'."

Buffett's shares carry a 10 percent premium. He will also receive warrants to buy another \$3 billion of common stock at a strike price of \$22.25 per share over the next five years.

The sale gives GE more flexibility and would allow it to "play offense" in making acquisitions, Immelt said.

The cost to insure \$10 million of GE Capital's debt with credit-default swaps over a five-year period eased after the news. It fell to \$500,000 on Wednesday, down from \$740,000 earlier in the day and below \$550,000 on Tuesday, according to Phoenix Partners Group.

The shares remain above the 52-week low of \$22.19 reached on September 18, but well below the high of \$42.15 reached on October 2.