

PBGC Asset Evaluation
for the
Delphi Subsidiary Plans

Pension Benefit Guaranty Corporation

Asset Evaluation Division

**ASEC Manufacturing Retirement Program-
Case No. 21102100,**

**Delphi Mechatronics Systems Retirement Program-
Case No. 20700700,**

**Packard-Hughes Interconnect Bargaining Retirement
Plan- Case No. 20700900,**

**Packard-Hughes Interconnect Non-Bargaining
Retirement Plan- Case No. 21102700,**

Collectively known as the “Delphi Subsidiary Plans”

Plan Asset Evaluation Report

December 3, 2015

**DOPT: July 31, 2009
DOTR: August 10, 2009**

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1. EXECUTIVE SUMMARY

We have performed procedures in accordance with the Pension Benefit Guaranty Corporation (“PBGC”) Benefit Administration and Payment Department (BAPD) Plan Asset Evaluation Manual – dated April 17, 2013 (“BAPD Manual”) in order to estimate the fair market value (FMV) of assets held in the ASEC Manufacturing Retirement Program (“ASEC”); Delphi Mechatronics Systems Retirement Program (“DMS”); Packard-Hughes Interconnect Bargaining Retirement Plan (“PHI BU”); and Packard-Hughes Interconnect Non-Bargaining Retirement Plan (“PHI NBU”) (collectively the “Delphi Subsidiary Plans” or, “the Plans” or, “the Subsidiary Plans”), as of July 31, 2009, the respective Plans’ date of termination (“DOPT”). The findings from the procedures performed is summarized in the Table 1 below. The Contractor performed testing procedures over the investment held by the Delphi Subsidiary Plans, using procedures from the BAPD Manual and alternative procedures. Additionally, the Contractor performed procedures over other plan assets including Due and Unpaid Employer Contributions (“DUEC”), accrued investment income, receivables/liabilities (i.e. unsettled transactions) and accrued expenditures.

General Motors Asset Management (“GMAM”) was designated and named the fiduciary and asset manager for purposes of making investment-related decisions for the Delphi Subsidiary Plans. In addition, State Street Bank and Trust (“State Street”, “SSB” or “the Trustee”) is the trustee and transfer agent for the Plans.

When performing procedures over completeness of net assets of the Delphi Subsidiary Plans, we were required to obtain trustee statements from the Trustee, Form 5500s filed with the Department of Labor and the most recent audited financial statements for the three years prior to DOPT or as close as possible to DOPT. However, the Plans were not audited during fiscal years 2008 and 2009 the last audit performed of the Plans was for fiscal year 2007. Since the Plans’ were not audited in fiscal years 2008 and 2009, and due to a lack of supporting documentation, the Contractor was not able to conclude on completeness of assets for the PHI NBU Plan in accordance to the BAPD manual. However, the Contractor was able to conclude on completeness of asset and liabilities of the DMS, PHI BU and ASEC Plans through the application of alternative procedures to assess certain plan activity from the date of the last audited financial statements to DOPT.

Each of the Delphi Subsidiary Plans were held within a trust vehicle. The Plans’ trust vehicle was named the GMAM Investment Fund Trust (“the GIFT Trust”). Since each plan invested separately in the GIFT Trust, the GIFT was not considered a master trust vehicle since the Plans’ assets and investment income are not recorded on an allocation basis of the total Trust but recorded independantly at the plan level. The Contractor independently confirmed, with the Trustee, the individual units of participation of the common collective trust security called the Promark Balanced Fund (“the Balanced Fund”), which was the sole investment for each of the Plans at DOPT.

Table 1: Estimated FMV of the Net Asset Value by Plan as of DOPT

Plan Name	Estimated FMV of securities as of DOPT (USDS)	Estimated FMV of Other Assets (Liabilities) combined as of DOPT (USDS)*/**	Total Estimated Plan Net Asset Value (USDS)*
ASEC Manufacturing Retirement Program	18,433,350	1,765,229	20,198,579
Delphi Mechatronics Systems Retirement Program	6,367,317	794,995	7,162,312
Packard-Hughes Interconnect Bargaining Retirement Plan	3,420,525	2,101,898	5,522,423
Packard-Hughes Interconnect Non-Bargaining Retirement Plan	15,390,357	4,675,593	**20,065,951

*The DUEC value reflected in this report is net of an allowance for uncollectibility. The Contractor relied on documents that were provided by PBGC. We performed no testing of existence, accuracy or value of these amounts.

**Numbers do not add across due to rounding.

There was a scope limitation relating to completing the test procedures outlined in the BAPD PAE Manual. Please refer to Section 5 of this report.

2. OBJECTIVE

The objective of this plan asset evaluation is to conduct an evaluation of the assets and liabilities held by the Delphi Subsidiary Plans that were trusted by the PBGC, as a component of the benefit determination letters to be issued by the PBGC to the Plans' participants.

3. BACKGROUND

The ASEC Plan is a defined benefit pension plan covering certain employees of ASEC Manufacturing, Inc.; the DMS Plan is a defined benefit pension plan covering certain employees of Delphi Mechatronics Systems, and the PHI BU Plan and the PHI NBU Plan are defined benefit pension plans covering certain employees of Packard-Hughes Interconnect, Inc. These entities are wholly owned subsidiaries of the Delphi Corporation.

Delphi Corporation, along with certain of its U.S. subsidiaries filed Chapter 11 bankruptcy effective July 31, 2009. The Plans' were terminated on July 31, 2009, and the PBGC was appointed as the statutory trustee on August 10, 2009.

Table 2: Delphi Subsidiary Plans

PBGC Case Number	Plan Name	DOPT
21102100	ASEC Manufacturing Retirement Program (ASEC)	July 31, 2009
20700700	Delphi Mechatronics Retirement Program (DMS)	July 31, 2009
20700900	Packard-Hughes Interconnect Bargaining Retirement Plan (PHI-BU)	July 31, 2009
21102700	Packard-Hughes Interconnect Non-Bargaining Retirement Plan (PHI-NBU)	July 31, 2009

4. SCOPE OF WORK

The scope of this plan asset evaluation is to:

- Provide evidence of the existence of the Plans' assets and liabilities;
- Estimate the fair market value (FMV) of the investments in the Plans as of DOPT; and
- Estimate the value of other Plans' assets and liabilities as of DOPT

The procedures performed to achieve the objective and to perform work over the scope noted above are referenced from the BAPD Manual. We have attempted to perform procedures or obtain evidence to help meet the objectives defined, please refer to Section 5 Completeness for scope limitations. To conduct a plan asset evaluation, the BAPD Manual details the procedures in a four-phase approach.

5. COMPLETENESS

In accordance with the BAPD Manual Section 15, the Contractor is required to perform procedures to test the completeness of net Plan assets provided by the Trustee. The Contractor will obtain, if possible, the Form 5500 filed with U.S. Department of Labor and compare the Form 5500 with third-party documentation such as the Trustee statements and audited financial statements of the Plans. Per the Department of Labor, the Form 5500 is part of ERISA's overall reporting and disclosure framework intended to help ensure that the Plans are operated and managed in accordance with prescribed standards.

Where information was not available to perform these procedures, alternative procedures, as described below, were performed to help provide evidence for the completeness of the Plans' assets as of DOPT.

When performing procedures over completeness of the Delphi Subsidiary Plans, the BAPD Manual procedures required the Contractor to obtain trustee statements, Form 5500s filed with the Department of Labor and the most recent audited financial statements for the three years prior to DOPT or as close as possible to DOPT. The Plans were not audited during fiscal years 2008 and 2009 the last audit performed was for fiscal year 2007. Since the Plans were not audited in fiscal years 2008 and 2009, we were unable to perform all procedures required by the BAPD Manual.

In addition, to performing procedures in accordance with the BAPD Manual, the Contractor performed alternative procedures regarding the completeness of the Plans' assets. The Contractor, performed a trend analysis of the Plans' Net Assets from the date of the last audited financial statements (September 30, 2007) to DOPT to assess whether the fluctuations of net assets appeared reasonable during this time frame.

The Contractor obtained the working trial balances of the Plans from the Trustee as of the last audited statements (September 30, 2007) through DOPT. The Contractor reviewed the monthly net assets balance and examined fluctuations that were above 5% (absolute values) of net assets for further investigation. The

fluctuations were primarily due to unrealized gain/loss and the disposition of Plan assets to pay participant benefits. As such, the Contractor did not observe any unusual fluctuations other than the merger activity related to the PHI NBU Plan discussed below.

For fiscal year 2007, the Contractor observed that for the PHI NBU Plan, the trial balance did not reflect the merger of an affiliated plan and its related assets and liabilities that occurred in fiscal year 2006. Upon inquiry with the Trustee, the merged plan's records were kept separately and were not provided to the Contractor. As such, we could not conclude over the completeness of the assets and liabilities of the PHI NBU Plan at DOPT.

Based on the results of the alternative procedures performed as of DOPT, regarding the completeness of plan assets related to the ASEC, DMS, and PHI BU Plans there were no issues that came to our attention. As such, we can conclude on the Completeness of Plan net assets for these Plans.

6. FAIR MARKET VALUE ESTIMATE

As described in Appendix B of this report, the Contractor applied a valuation approach based on an acceptable range of FMVs for the asset sub-classes (as defined in the BAPD Manual). The acceptable range of FMV is based on the allowable variance as defined in the PBGC's Security Pricing Matrix (SPM) in the BAPD Manual.

7. MATERIALITY

In accordance with the BAPD Manual section 15.8, the Contractor calculated the materiality threshold to perform the scope of the Contractor's work. Various qualitative and quantitative factors were considered in assessing materiality. Materiality was used to assess the significance of certain testwork and variances.

8. DATA AND INFORMATION SOURCES

In order to perform the procedures required by the BAPD Manual, we obtained assistance from several related parties to the Plans.

1) PBGC

- Obtained copies of the Delphi Subsidiary Plans' asset holding statements and trial balances from PBGC. In addition, several Issue and Resolution ("I&R") Memos were prepared by the Contractor during the engagement which PBGC management reviewed and approved. Additionally, the Contractor obtained information from the PBGC for the calculation of Due and Unpaid Employer Contributions (DUEC).

2) State Street Bank & Trust (Trustee)

- Provided asset holding statements and trial balances related to the Plans.
- Confirmed the units of participation for the Promark Balanced Fund, the sole investment held by the Plans as of DOPT.
- Obtained the SAS 70 report over the Trustee's custodial process for the period October 1, 2008 through September 30, 2009, which covers DOPT.

3) General Motors Asset Management (GMAM) (Investment Advisor)

- Acted as the primary contact to the Contractor to perform the BAPD Manual procedures. Generally, all requests related to the Trustee were made with assistance from GMAM.

- Provided 2009 audited financial statements of the Promark Balanced Fund.
- Obtained the October 1, 2008–September 30, 2009 SAS 70 report over GMAM’s process over expenditures.
- Maintained contact with GMAM by phone, on-site meetings, and via e-mail to address the status of open items regarding the testwork.

9. PLANNING AND RISK ASSESSMENT

The Contractor performed procedures over the Plans’ assets and liabilities as defined by the BAPD Manual for Planning and Risk Assessment. The Plans’ Trustee provided the Trustee statement as of the DOPT which the Contractor utilized in performing the BAPD Manual procedures. Throughout our testwork procedures we addressed and documented four areas which were key to understanding the Plans. These areas were: the nature of the Plans, regulatory and other external factors, objectives, strategies and related risks, and measurement and review of financial performance. The Contractor then assessed the inherent risk associated with each asset class.

The Contractor performed procedures to gain an understanding of the nature of plan investments. The primary method of understanding was inquires made of various internal PBGC parties as well as external parties in interest to the Plans and the review of the assets listed on the month-end Trustee statements for July 2009 and September 2009. After an understanding of the Plans’ investments was gained, the Contractor calculated materiality, as defined by the BAPD Manual.

Procedures performed included an evaluation of internal control at the Plans’ Trustee and GMAM (related to plan expenditures only), using relevant SOC 1 reports over internal controls. The Contractor assessed control risk based on the SOC 1 review as well as other risk assessment procedures performed. Considering the assessed inherent and control risk, the Contractor assessed a risk of misstatement for each asset class and other assets and liabilities held by the Plans.

10. VALUATION METHODOLOGY

The Contractor reviewed the most recent PBGC guidelines that define FMV over trusteed plan assets, as defined in the BAPD Manual Section 15.10A. The Contractor used Net Asset Value (NAV) as a practical expedient to estimate the FMV of the Plan’s investment in the common collective trust. See Appendix C for a description of the valuation methodology applied to the Plans.

11. PRICING SOURCES

The Delphi Subsidiary Plans were invested solely in one common and collective trust (“CCT”) as of DOPT, the Promark Balanced Fund. An independent price, using an allowed pricing source, was not obtainable since the Balanced Fund was not an exchange traded security. As a result, the Contractor utilized the net asset value provided by the Trustee and the Investment Manager to perform evaluation procedures (see Summary of Findings section for procedures) over the Plans’ asset in accordance with the BAPD Manual. See Appendix C for further details.

12. SUMMARY OF FINDINGS

General Procedures applied to the asset sub-class noted below

We performed the following procedures to test the asset sub-class as defined in the BAPD Manual Section 15.10B:

Obtained Trustee statements detailing investments held by the Trustee for each Plan as of July 31, 2009. The Contractor gathered evidence over the value of the respective investment and reviewed the extent of any additional evidence required for the investment.

- We discussed the nature of the investment with the Trustee and GMAM.

A. COMMON AND COLLECTIVE TRUST

The Contractor observed that each of the Delphi Subsidiary Plans separately held units of participation in the Balanced Fund, which is a common collective trust managed by GMAM. As of DOPT, the estimated FMV as of DOPT for the ASEC Plan is \$18,433,50, the DMS Plan is \$6,367,317, the PHI BU is \$3,420,525, and the PHI NBU Plan is \$15,390,357. The Contractor estimated FMV was within the tolerable range of the Trustee reported FMV.

Procedures

- Obtained from the Trustee, the Delphi Subsidiary Plans' asset holdings statements and trial balances that detailed the estimated FMV for each Plan as of July 31, 2009.
- Obtained an independent confirmation of the Plans FMV, units of participation held, and price per unit of participation directly from State Street Bank and Trust as of DOPT for each of the Plans. (w/p S.01a, S.01b,S.01c and S.01d).
- We obtained, from GMAM, the audited financial statements for the Balanced Fund as of September 30, 2009, which was closest to DOPT.
- The Contractor performed procedures over the FMV of the security held by each Plan as of DOPT.

Scope Limitation(s)

- The price per unit of participation for the Balanced Fund (the Plans' sole investment) was not audited as of DOPT. This did not prevent the Contractor from estimating the FMV of the security.

Finding(s)

- Since the price per unit of participation for the Balanced Fund was not audited as of DOPT, the Contractor performed procedures, in accordance with the BAPD Manual, over the unaudited price per unit of participation as of DOPT. The Contractor compared the audited price per unit of participation as of September 30, 2009 and the unaudited price per unit of participation as of DOPT for the Balanced Fund and performed a reasonableness test of the price per unit of participation as of DOPT. The unaudited price per unit of participation for the Balanced Fund as of DOPT appeared reasonable (\$02).
- The Contractor observed (through a review of subsequent trial balances through July 2010) that the Plans liquidated their investment in the Balanced Fund starting on September 30, 2009 and began to transfer the cash proceeds to the PBGC in October 2009. This was also confirmed by GMAM, the Plans' investment advisor, and internal departments at the PBGC.
- The Contractor obtained and reviewed a cash proceeds report from the PBGC for the month of October 2009. The Contractor observed that for certain plans (ASEC, DMS and PHI NBU), a majority of the cash proceeds received in October 2009 was reasonable in value to the FMV held by the respective Plans as of DOPT and approximated the estimated fair market value of the Plans' estimated security value as of DOPT. The remaining cash accounts were considered assets of the Plans.
- The PHI BU Plan transferred approximately half of the cash proceeds to the PBGC during October 2009. The remaining balance was held in a cash account by the Trustee on behalf of the Plans. This cash account was considered an asset of the Plans. The Contractor observed in the subsequent trial balances that the cash balance was used to pay benefit payments to plan participants and plan expenditures, and any remaining cash balance was transferred to PBGC in July 2010.
- Based on our findings the price per unit, and total fair market value of the Balanced Fund estimated by the Contractor agreed with the trustee fair market value, as stated above.

B. ESTIMATED FMV OF INVESTMENT INCOME ACCRUALS (INTEREST AND DIVIDENDS)

Accrued dividend and interest (or accrued investment income) is income that has been earned but not yet received based on the investments held by a plan as of a point in time.

Procedures

- Obtained from the Trustee the Delphi Subsidiary Plans' asset holdings statements and trial balances that provided the estimated FMV for each Plan as of July 31, 2009.
- Obtained subsequent trial balances for the Plans from August 2009 through December 2009.

Finding(s)

- The Contractor did not observe accrued investment income for the Plans as of DOPT. The Contractor reviewed 5 months of trial balances subsequent to DOPT for the respective Plans and did not observe accrued investment activity. No investment income accruals were recorded by the Trustee for the Plans as of DOPT.

C. VALUATION ESTIMATED DUEC AS OF DOPT- JULY 31, 2009 (DUEC)**Table 3: VALUATION ESTIMATED DUEC AS OF JULY 31, 2009**

Plan Name	Valuation Estimated DUEC as of DOPT- July 31, 2009
ASEC Manufacturing Retirement Program	1,800,293
Delphi Mechatronics Retirement Program	856,321
Packard-Hughes Interconnect Bargaining Retirement Plan	2,142,169
Packard-Hughes Interconnect Non-Bargaining Retirement Plan	4,775,170

**The DUEC value reflected in this report is net of an allowance for uncollectibility. The Contractor relied on documents that were provided by PBGC. We performed no testing of existence, accuracy or value of these amounts.*

Background

Due and unpaid employer contributions (DUEC) is defined as a receivable to a plan, per the BAPD Manual. Internal PBGC departments calculate the gross DUEC amount when a plan is terminated. Additionally, a collectability adjustment (as established and defined by PBGC regulations and the BAPD Manual) is applied to the gross DUEC amount to calculate the net valuation DUEC for a plan.

Procedures

- The Contractor performed inquiries of internal PBGC departments, to assess if a gross DUEC amount as of DOPT was calculated for the Delphi Subsidiary Plans.
- The Contractor performed inquiries of PBGC Corporate Finance & Restructuring (CFRD) analysts and PBGC actuaries, to determine if a calculation for DUEC as of DOPT was available.
- The Contractor applied the relevant SPDRR percentage (the collectability adjustment), as determined by internal PBGC departments and the BAPD Manual, to the gross DUEC.

Scope Limitation(s)

- None noted

Finding(s)

- The Contractor observed in the Appendix H to the BAPD Manual that the SPDRR percentage (defined within the BAPD Manual) for each of the Delphi Subsidiary Plans is 60.55%.
- ASEC: The Contractor applied the collectability adjustment factor of 60.55% to the gross DUEC amount of \$2,973,233 to calculate at a net valuation DUEC amount of \$1,800,293.
- DMS: The Contractor applied the collectability adjustment factor of 60.55% to the gross DUEC amount of \$1,414,237 to calculate at a net valuation DUEC amount of \$856,321.
- PHI BU: The Contractor applied the collectability adjustment factor of 60.55% to the gross DUEC amount of \$3,537,852 to calculate at a net valuation DUEC amount of \$2,142,169.
- PHI NBU: The Contractor applied the collectability adjustment factor of 60.55% to the gross DUEC amount of \$7,886,326 to calculate at a net valuation DUEC amount of \$4,775,170.
- The Contractor relied on the value of the DUEC as of DOPT provided by the PBGC which is included for calculation purposes only.

D. UNSETTLED TRANSACTIONSDescription

Unsettled transactions refer to trades that were initiated prior to the DOPT, but subsequently settled. These transactions include investment purchases and sales.

Procedures

- Requested and reviewed Trustee statements from August 2009 through September 2009.
- Reviewed the purchase and sales activity for trades initiated prior to the DOPT or pending trades, which settled after DOPT, if any.
- Reviewed the purchases and sales reports for trades that were subsequently reversed, if any.

Scope Limitation(s)

- None noted

Finding(s)

The Contractor did not identify unsettled transactions as of DOPT during our review of the Trustee statements as described above.

E. ACCRUED EXPENDITURES**Table 4: Accrued Expenditures by Plan as of DOPT**

Plan Name	Accrued Expenditures per Trustee as of DOPT (USD\$)	Accrued Expenditures per Contractor as of DOPT (USD\$)	% Change from the trustee
ASEC Manufacturing Retirement Program	35,064	35,064	0.00%
Delphi Mechatronics Retirement Program	20,226	61,326	203.20%
Packard-Hughes Interconnect Bargaining Retirement Plan	15,371	40,271	161.99%
Packard-Hughes Interconnect Non-Bargaining Retirement Plan	48,677	99,577	104.57%

Description

Plans incur expenditures related to their operations such as legal, actuarial, and other administrative fees in accordance with the plan document. These expenditures should be recorded as a component of the net asset value as of DOPT and are recorded as a liability of the plan.

Procedures

- The Contractor obtained the cash disbursements reports after DOPT (August 2009 through October 2009) for the Delphi Subsidiary Plans.
- The Contractor obtained supporting documentation for a sample of expenditures (as directed by PBGC) such as invoices and other supporting documentation, and observed whether the expenditure was appropriately recorded as of DOPT. The Contractor observed that there were certain expenditures that were incurred prior to DOPT but were not recorded by the Trustee as of DOPT. The Contractor obtained and reviewed invoices related to these expenditures and assessed that these expenditures should be included in the net asset value for the respective Plan. The Contractor did not expand the testwork due to the errors identified since the remaining expenditures paid for August 2009 to October 2009 were not material to the individual Delphi Subsidiary Plans.
- The Contractor obtained a Limited Scope Review report dated June 9, 2014 that was performed by PBGC to document the procedures performed around the appropriateness of expenditures in accordance with the Plans' document for the 12 months prior to DOPT to meet requirements set forth in the BAPD Manual.

Scope Limitation(s)

- None Noted

Finding(s)

- The Contractor identified certain instances in which accrued expenditures were not properly recorded as of DOPT. We have summarized the change in the accrued expenditures as of DOPT in Table 4 above.

13. CONCLUSION

We performed the procedures in accordance with the BAPD Manual. In addition, we performed alternative procedures as of DOPT regarding the evaluation of the securities of the Plans. Due to lack of available information from the Trustee, we were unable to conclude on the completeness of the Plans' assets per the procedures in the BAPD Manual. In addition, we performed procedures in accordance with the BAPD Manual regarding accrued investment income, other receivables and payables, and unsettled transactions for the Plans as of DOPT, and there were no issues that came to our attention except for certain expenditures that were not accrued by the Plans at DOPT.

Contractor Estimated FMV as of DOPT (excluding investment income accruals)

We performed plan asset evaluation procedures in accordance with the BAPD Manual, over the estimated FMV of the Balanced Fund held by each of the Delphi Subsidiary Plans. The estimated FMV of the respective investment fell within the range of acceptable values (as defined in the BAPD Manual), and the Trustee's value was assigned as of DOPT, as noted in Table 7.

Contractor Estimated FMV as of DOPT (investment income accruals and other assets and liabilities)

Based on review of the Trustee statements and procedures performed in accordance with the BAPD Manual, the Contractor performed test procedures over other assets and liabilities for the Plans such as unpaid employer contribution receivable and accrued plan expenditures, as noted in Table 5.

Table 5: Pension Plan Net Assets and Liabilities Contractor Estimated Value

	ASEC Manufacturing Retirement Program (ASEC) (USDS)	Delphi Mechatronics Systems Retirement Program (DMS) (USDS)	Packard-Hughes Interconnect Bargaining Retirement Plan (PHI-BU) (USDS)	Packard-Hughes Interconnect Non- Bargaining Plan (PHI-NBU) (USDS)
Contractor Estimated Securities FMV as of DOPT	18,433,350	6,367,317	3,420,525	15,390,357
Accrued Expenditures	(35,064)	(61,326)	(40,271)	(99,577)
Estimated Valuation of Due and Unpaid Employer Contributions (DUEC)*	1,800,293	856,321	2,142,169	4,775,170
Total Estimated Value of Plan Assets	20,198,579	7,162,312	5,522,423	** 20,065,951

*The DUEC value reflected in this report is net of an allowance for uncollectibility. The Contractor relied on documents that were provided by PBGC. We performed no testing of existence, accuracy or value of these amounts.

**Does not add down due to rounding.

The work product and deliverables provided as part of this engagement were developed for Pension Benefit Guaranty Corporation (PBGC) management, and are not intended for use by any other party or for any other purpose, and may only be relied upon by PBGC management. The plan asset evaluation was performed in accordance with the Consulting Standards established by the AICPA, the BAPD Manual, and applicable government guidance. We disclaim any intention or obligation to update or revise the observations whether as a result of new information, future events, or otherwise. Should additional documentation or other information become available that impacts the observations reached in our deliverables, we reserve the right to amend our observations and summary documents, including deliverables, accordingly.

ANY TAX ADVICE IN THIS COMMUNICATION IS NOT INTENDED TO BE USED, AND CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF (i) AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER OR (ii) PROMOTING, MARKETING, OR RECOMMENDING TO ANOTHER PARTY ANY MATTERS ADDRESSED HEREIN.

This report was prepared for the Pension Benefit Guaranty Corporation based on procedures developed, approved and overseen by PBGC and may only be relied upon by PBGC.

APPENDIX A- INDEX OF TERMS

Term	Definition
Asset-backed security (ABS)	A security whose value and income payments are derived from and collateralized (or “backed”) by a specified pool of underlying assets.
AED	PBGC’s Asset Evaluation Division
BAPD	PBGC’s Benefits Administration and Payment Department
Black-Scholes-Merton Formula (also known as a closed – form mode)	A model for mathematically pricing share options and similar investments
Bloomberg L.P.	A pricing vendor or conduit that compiles data from a variety of primary and secondary data sources. Bloomberg L.P. provides business and financial information, news, and analytics for financial professionals, businesses, and governments in the United States and internationally. The Contractor typically uses Bloomberg L.P. for securities pricing, market research and data, and input assumptions, amongst other uses.
CD	Compact Disk
CME	Chicago Mercantile Exchange
CMO	Collateralized Mortgage Obligations
COMEX	COMEX, (Commodity Exchange, Inc.) a division of the New York Mercantile Exchange (NYMEX)
COR	Contracting Officer’s Technical Representative
CUSIP/SEDOL number	These are numerical identifiers related to the clearing or settlement of investment trades
DCF	Discounted Cash Flow
DOPT	Date of Plan Termination
EBP	Employee Benefit Plans or Employee Benefit Practice
EVS	The Contractor’s Economic and Valuation Services Practice
FMV	Fair Market Value
GP	General Partners
I&R	Issue and Resolution (Form). The method used to formalize certain discussions between the Contractor team and PBGC.
IDC	Interactive Data Corporation provides financial market data (financial data vendor), analytics, and related solutions to financial institutions, active traders, and individual investors.
IM	Investment Managers

Implied	Implied Yield
LIBOR	London Interbank Offered Rate
LP	Limited Partnership or Limited Partners
MBS	Mortgage-Backed Securities – A security whose value and income payments are derived from and collateralized by a specific pool of underlying mortgage obligations.
NAV	Net Asset Value
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OTC	Over the Counter
PBGC	Pension Benefit Guaranty Corporation
Plug-In (i.e., Excel Plug-In)	In computing, a plug-in is a set of software components that adds specific abilities to a larger software application. If supported, plug-ins enable customizing the functionality of an application.
Recoverable Tax Accruals	As payment for the loan, the parties negotiate a fee, quoted as an annualized percentage of the value of the loaned securities
SAS 70 Report	Report on service organizations controls. This report is currently known as the SOC 1 report or the SSAE 16 report.
Securities Lending	Securities lending is the lending of securities by one party to another. The borrower provides the lender with collateral, in the form of cash, government securities, or a letter of credit of value equal to or greater than the loaned securities. As payment for the loan, the parties negotiate a fee, often quoted as an annualized percentage of the value of the loaned securities.
Security Pricing Matrix (SPM)	A tool defined in the BAPD Manual- April 17, 2013, which helps assist the BAPD Staff in classifying investments as Liquid-Observable or Illiquid-Observable/Hard to Value.
SME	Subject Matter Expert
Standard & Poor's (S&P) Capital IQ	Standard & Poor's (S&P) Capital IQ provides multi-asset class data, research solutions, and analytics to institutional investors, investment advisors, and wealth managers around the world. The company provides financial intelligence covering public and private capital markets along with applications for desktop research, screening, real-time market data, backtesting, portfolio management, financial modeling, and quantitative analysis. The Contractor typically uses S&P Capital IQ for securities pricing, market research and data, and input assumptions, among other uses.
Term	The time period during which an investment matures
Trustees	General Trustees
Trusteeship	The position of a trustee. In this report, this date is likely the same as DOPT when PBGC becomes the trustee of the Plans.

UET	Unit Equity Trust
WAL	Weighted Average Life. The amount of time for the principal on a loan or a mortgage to be paid off. The length of the weighted average life depends on the amount of principal pay downs and how often they are made.
XBRL	Extensible Business Reporting Language

APPENDIX B- FAIR MARKET VALUE ESTIMATE DESCRIPTION

With reference to page 1 of the BAPD Plan Asset Evaluation Manual (version as of 4-17-13), PBGC's regulation 29 C.F.R. 4001.2, which is taken from IRS Revenue Ruling 59-60, defines FMV as:

“The price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.”

FMV is estimated as of a particular date based on what is known or knowable as of that date. FMV is not based on what a buyer might pay at some later time, such as when the holder of a security might ultimately realize the security's contractual value¹.

As part of our testwork we applied an approach based on an acceptable range of FMVs for the Asset Sub-Classes (as defined in the BAPD Manual) as follows:

- When variances fall within the Security Pricing Matrix (SPM) threshold, the Contractor will use the trustee's value as the representation of FMV unless professional judgment leads the Contractor to a different conclusion (evidenced on workpapers as Conclusion 1 and referenced in the Conclusion section of this report).
- When the variance between the trustee value and the independent value is outside the applicable SPM variance percentage, the Contractor must exercise professional judgment in making reasonable efforts to evaluate, conclude, and document the cause of the variance. If it was established that the Contractor has obtained relevant and reliable supporting documentation, the final FMV will be the Contractor's value (evidenced on workpapers as Conclusion 2 and referenced in the Conclusion section of this report).
- Variances must be evaluated by individual asset and by total for asset type to identify suspect variances, such as a systematically flawed valuation methodology.
- If sufficient supporting documentation cannot be obtained, the Contractor is unable to reach a conclusion of FMV and as a result, the value will default to the trustee's value (evidenced on workpapers as Conclusion 3 and referenced in the Conclusion section of this report).

The acceptable range of estimated FMV is based on the allowable variance as defined in the PBGC's Security Pricing Matrix in the BAPD Manual.

Thresholds/variances are set to estimate whether a FMV reported by a Trustee is reasonable. A range of acceptable price estimates (or range of acceptable values) is based on a number of factors including liquidity of the security, frequency of purchase and sale activity, and estimates or assumptions that might cause a willing buyer or seller to derive a different conclusion on what is considered acceptable. Other factors to consider may also include the nature of the security, other risks related to the performance of the underlying assets (if applicable), and current trading statistics of similar investment securities. Generally, acceptable ranges are more narrow for those investment securities presenting lower estimation uncertainty (e.g., ones whose values reflect observable information or are exchange-traded i.e., exchange-traded common stock) and wider for those securities with greater estimation uncertainty (e.g., ones whose values reflect

¹ BAPD Plan Asset Evaluation Manual-April 17, 2013 -Section 15.10A.1

unobservable inputs such as judgments around future cash flows and discount rates or are non-exchange traded, i.e., real property).

The establishment of a range/variance is typically done to estimate if the evidence obtained supports a conclusion that the investment values reported by the Trustees represent FMV. Because investments can be valued using a variety of acceptable source information, independent valuation testing can assist in determining whether the Trustee's source information is relevant and reliable, and whether the Trustee's values represent FMV. Rather than attempt to estimate whether the source information supporting an asset's value is more relevant and reliable than the source information supporting another value, a common industry practice is to compare the values first, and then attempt to understand variances, in part, by evaluating source information.

APPENDIX C – VALUATION METHODOLOGY

The most recent PBGC guidelines that define FMV over trusteed plan assets were used to perform the Plan Asset Evaluation. According to the BAPD Manual Section 15.10A, FMV is defined, in part, as “the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.” Investments were tested using an exit price approach (as of a DOPT) for orderly transactions between willing market participants at the measurement date (or exit value). Valuation procedures consistent with the market approach and income approach were used as secondary valuation techniques when the exit price approach could not be used to estimate a reliable FMV as of a respective DOPT. Assumptions regarding considerations made by a market participant buyer or seller as of the DOPT will reflect current environment considerations.

Key aspects of the valuation approaches are summarized below.

Market approach – The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables or exchange-traded prices from public markets. Valuation techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities’ relationship to other benchmark-quoted securities.

Income approach – The income approach uses valuation techniques to convert future amounts (e.g., cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques, and option pricing models, such as the Black-Scholes-Merton formula (a closed-form option model).

Below is a brief explanation of the valuation techniques applied to certain security classes held by plans:

Valuation Approach

The following table provides a summary of the primary valuation approaches used for certain of the asset classes that may be held by a plan:

Approach	Asset Classes When Approach Is Applicable:
Use of regulatory filings and audited financial statements to evaluate certain cash equivalents.	<ul style="list-style-type: none"> ■ Cash or certain cash equivalents
Use of PBGC approved pricing vendors to obtain information on price and volume when security identifier is available (CUSIP, ISIN, SEDOL, RIC)	<ul style="list-style-type: none"> ■ U.S. Government Securities ■ Corporate Stock- Domestic and Foreign ■ ADR, IDR and GDR ■ Short Term Investments ■ Money Market Funds ■ Mutual Funds ■ Exchange Trade Funds

Approach	Asset Classes When Approach Is Applicable:
Use of PBGC approved pricing vendors to obtain information on yield curves and comparable transactions. The selected yield curves will be used to discount the assets to arrive at fair value or a creation of a discounted cash flow (DCF) or another form of modeling using contractual terms and market assumptions.	<ul style="list-style-type: none"> ■ Corporate and Sovereign Debt ■ Asset Backed Securities, CMOs (GNMA/FHA) and other ABS ■ Agency Residential Mortgage-Backed Securities ■ Convertible Bonds ■ Derivatives
Use of net asset value as a practical expedient ²	<ul style="list-style-type: none"> ■ Limited Partnerships ■ Pooled Separate Accounts ■ Common Collective Trusts ■ Other non-exchange traded funds

² The concepts described in Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which indicates that a reporting entity is permitted, as a practical expedient, to estimate the fair value of an investment using the NAV per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of the investment.

APPENDIX D – ASSET GROUPING PER FORM 1108ⁱ**ASEC Manufacturing Retirement Program**

Asset Class (per the Security Pricing Matrix)	Number of Items	Contractor Estimated FMV as of DOPT (USDS)
Other Investment Funds – Unlisted	1	18,433,350.11
<i>Subtotal Private Equity</i>	1	18,433,350.11
<i>Total – Securities</i>	1	18,433,350.11
DUEC Receivable	N/A	1,800,292.58
Accrued Expenditures	N/A	(35,063.62)
<i>Total Net Assets</i>		20,198,579.07

Delphi Mechatronics Retirement Program

Asset Class (per the Security Pricing Matrix)	Number of Items	Contractor Estimated FMV as of DOPT (USDS)
Other Investment Funds – Unlisted	1	6,367,316.94
<i>Subtotal Private Equity</i>	1	6,367,316.94
<i>Total - Securities</i>	1	6,367,316.94
DUEC Receivable	N/A	856,320.50
Accrued Expenditures	N/A	(61,325.89)
<i>Total Net Assets</i>		7,162,311.55

Packard-Hughes Interconnect Bargaining Retirement Plan

Asset Class (per the Security Pricing Matrix)	Number of Items	Contractor Estimated FMV as of DOPT (USDS)
Other Investment Funds – Unlisted	1	3,420,524.55
<i>Subtotal Private Equity</i>	1	3,420,524.55
<i>Total - Securities</i>	1	3,420,524.55
DUEC Receivable	N/A	2,142,169.39
Accrued Expenditures	N/A	(40,270.65)
<i>Total Net Assets</i>		5,522,423.29

Packard-Hughes Interconnect Non-Bargaining Retirement Plan

Asset Class (per the Security Pricing Matrix)	Number of Items	Contractor Estimated FMV as of DOPT (USDS)
Other Investment Funds – Unlisted	1	15,390,357.49
<i>Subtotal Private Equity</i>	1	15,390,357.49
<i>Total - Securities</i>	1	15,390,357.49
DUEC Receivable	N/A	4,775,170.39
Accrued Expenditures	N/A	(99,577.37)
<i>Total Net Assets</i>		20,065,950.51

ⁱ Based on the PBGC BAPD Manual