

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**

**FINANCIAL STATEMENTS**

**December 31, 2011**

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
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**December 31, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Delphi Salaried Retirees Association  
Voluntary Employee Benefits Association

We have audited the accompanying statement of net assets available for benefits (modified cash basis) of Delphi Salaried Retirees Association Benefit Trust (the "Plan") as of December 31, 2011, and the related statements of changes in net assets available for benefits (modified cash basis) for the year ended December 31, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Delphi Salaried Retirees Association Benefit Trust as of and for the year ended December 31, 2010, were audited by other auditors whose report dated January 23, 2012, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. 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 estimated made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements and supplemental schedules were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Delphi Salaried Retirees Association Benefit Trust as of December 31, 2011, and the changes in net assets available for benefits for the year ended December 31, 2011, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of assets (held at end of year) as of December 31, 2011, and reportable transactions for the year ended December 31, 2011, together referred to as "supplemental information," are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Scinto Kriner Elliott LLP*

October 5, 2012

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS (MODIFIED CASH BASIS)**  
**As of December 31, 2011 and 2010**

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<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
Investments, at fair value (Note 3)		
Money market accounts	\$ 1,154,365	\$ 369,303
Mutual funds	<u>15,335,663</u>	<u>7,407,881</u>
 Net assets available for benefits	 <u>\$16,490,028</u>	 <u>\$ 7,777,184</u>

The accompanying notes are an integral part of these financial statements.

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (MODIFIED**  
**CASH BASIS)**  
**For the year ended December 31, 2011**

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Additions to Net Assets Attributed to:

Investment income	
Interest and dividends	\$ 349,961
Net depreciation in fair value of investments - mutual funds	(100,014)
Realized gain	<u>5,410</u>
Net investment income	255,357
 Contributions	
Retiree contributions	19,968,172
Health coverage tax credits	32,982,244
Early retiree reinsurance program	<u>10,997,564</u>
Net contributions	<u>63,947,980</u>
 Total additions	 64,203,337

Deductions from Net Assets Attributed to:

Hardship payments	44,582
Insurance premiums	53,611,885
Contracted administrator fees	645,893
Early retiree reinsurance program fees	621,176
Administrative expenses	<u>566,957</u>
 Total deductions	 <u>55,490,493</u>
 Net increase for the year	 8,712,844

Net Assets Available for Benefits:

Beginning of year	<u>7,777,184</u>
 End of year	 <u>\$ 16,490,028</u>

The accompanying notes are an integral part of these financial statements.

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

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**NOTE 1 - DESCRIPTION OF THE PLAN**

The following brief description of the Plan is provided for general purposes only. Participants should refer to the Plan document for more complete information.

**General** - The Delphi Salaried Retirees Association Benefit Trust (the "Plan") was established on September 1, 2009 to offer welfare benefit coverage to eligible retirees and their dependents of Delphi Salaried Retirees Association ("DSRA"), with coverage beginning on October 1, 2009, as described in the Plan document.

The Plan provides participants specified medical, prescription drug, vision, and dental benefits. By virtue of being offered through a Voluntary Employee Beneficiary Association ("VEBA"), the component benefit programs offered for those under 65 years of age are intended to be qualified to take advantage of Health Coverage Tax Credits ("HCTC") available under the Internal Revenue Service ("IRS"). The Plan also offers alternative coverage for eligible retirees who are or who become Medicare eligible.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

**Administration of the Plan** - The DSRA VEBA is the Plan sponsor and its Board of Directors ("VBOD") administers the Plan. The VBOD has contracted with a third-party, Marsh, Inc., to administer the benefits under the Plan, and Comerica Bank ("Comerica") serves as custodian for the trust.

Blue Cross Blue Shield of Michigan provides healthcare, prescription drugs, dental, and under 65 Medicare claims through insurance. Superior Vision Services, Inc., MetLife, and Benistar Administrative Services provide vision claims, over 65 life insurance, and Medicare Part D coverage through insurance, respectively. Hardship payments are administered by a committee of the VBOD.

**Contributions** - The Plan is funded through a VEBA Trust set up by the Official Delphi Section 1114 Committee ("1114 Committee") with monies obtained solely from Delphi Corporation ("Delphi") pursuant to a Stipulation and Agreed Order entered between Delphi and the 1114 Committee (entered in Case No. 05-4481, United States Bankruptcy Court S.D. New York, as may be modified from time to time) (hereinafter referred to as the "Settlement Agreement") and by premium contributions from eligible retirees.

The IRS HCTC Department processes HCTC payments. Eligible retirees pay any residual premiums to the extent not covered by Delphi and HCTC payments. The premium rates are set by the VBOD after consultations with the insurance providers. Terminated employees may elect to continue their coverage (as provided under Consolidated Omnibus Budget Reconciliation Act of 1985 regulations) by making contributions to cover the full cost of their insurance premiums.

The Early Retiree Reinsurance Program (ERRP) was established by the Patient Protection and Affordable Care Act. Congress appropriated funding of \$5 billion for this temporary ERRP to provide financial assistance to employers, union, and state and local governments to help them maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare, including their spouses, surviving spouses, and dependents. The ERRP ceased accepting applications after May 5, 2011.

The DSRA VEBA submitted an application for reimbursement from the ERRP in 2010 and received reimbursements of \$10,997,564 in 2011. Reimbursements will be used to reduce the Plan participants' health care costs.

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Benefits** - The Plan provides for specified medical, prescription drug, vision, life insurance, and dental benefits through insurance arrangements. The Plan also provides for hardship payments to eligible participants to reimburse residual premiums.

**Basis of Accounting** - The financial statements have been prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis of accounting, contributions and income are recorded when received and distributions and expenses are recorded when paid.

**Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures that are included in these financial statements. Actual results could differ from management's estimates and assumptions.

**Investments** - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable unrelated parties at the measurement date. See Note 3 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

**Benefits** - Hardship payments and insurance premium payments are recorded when paid.

**Administrative Expenses** - Administrative expenses associated with the Plan are paid by the Plan as permissible by the Plan's provisions.

**Subsequent Events** - The Plan evaluated all events subsequent to December 31, 2011 through October 5, 2012, the date the financial statements were available to be issued. No events subsequent to December 31, 2011 required recognition or disclosure.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

U.S. generally accepted accounting principles establish a fair value hierarchy that prioritizes the valuation assumptions used to measure fair value. This hierarchy consists of three broad levels: **Level 1** - assumptions rely on quoted prices in active markets for identical assets and must be used when available, **Level 2** - assumptions rely on quoted prices for similar, but not identical, assets, and **Level 3** - assumptions generally are developed by the reporting entity, and may only be utilized when Level 1 and Level 2 information is not available. The Plan uses appropriate valuation techniques on the available information to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were used by the Plan.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2011 and 2010.

**Level 1 Fair Value Measurements** - The fair value of money market funds and mutual funds is based on quoted net asset values of the shares held by the Plan at year-end.

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

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**NOTE 3 - FAIR VALUE MEASUREMENTS (CONT'D)**

The following table sets forth, by level with the fair value hierarchy, the Plan's assets (all Level 1) at fair value as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Money market accounts	\$ 1,154,365	\$ 369,303
Mutual funds		
Intermediate-term bond	6,005,592	3,516,345
Short-term bond	5,781,286	2,487,080
Large cap growth	1,595,043	643,780
Large cap value	1,315,91	480,314
Mid cap growth	197,225	83,197
Mid cap value	195,718	81,057
Small cap growth	124,068	58,917
Small blend	<u>120,940</u>	<u>57,191</u>
Total assets at fair value	<u>\$16,490,028</u>	<u>\$ 7,777,184</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOTE 4 - INVESTMENTS**

The Plan's investments are held by Comerica, the custodian for the trust that holds the Plan's assets. The following table presents the fair values of the Plan's investments that represent 5% or more of the Plan's net assets:

	<u>2011</u>	<u>2010</u>
Money Market		
Invesco AIM Premier Portfolio	\$ 1,051,361	\$ 53,303 *
Mutual Funds		
T. Rowe Price Growth Stock Fund	1,296,033	506,762
T. Rowe Price Equity Inc. Fund	1,315,791	480,314
T. Rowe Price New Income Fund	6,005,592	3,516,345
T. Rowe Price Short-Term Bond Fund	5,781,286	2,487,080
All other investments less than 5%	<u>1,039,965</u>	<u>733,380</u>
	<u>\$16,490,028</u>	<u>\$ 7,777,184</u>

\* Investment balance did not meet the 5% threshold of the respective year.



**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

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**NOTE 5 - RELATED PARTY TRANSACTIONS**

The Plan invests in shares of mutual funds managed by T. Rowe Price, the Plan's investment advisor. Transactions in such investments qualify as party-in-interest transactions, which are exempt from the prohibited transaction rules.

**NOTE 6 - TAX STATUS**

The trust established under the Plan, to hold the Plan's net assets, is qualified pursuant to Section 501(c)(9) of the Internal Revenue Code as a VEBA and, accordingly, the trust's net investment income is exempt from income taxes. The Plan and trust are required to operate in conformity with the Internal Revenue Code to maintain the tax-exempt status of the trust. The trust has received a favorable tax exemption letter from the IRS and the DSRA VBOD believes that the trust continues to qualify and operate as designed.

U.S. generally accepted accounting principles require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**NOTE 7 - TERMINATION OF THE PLAN**

Although it has not expressed any intention to do so, the DSRA VEBA reserves the right to amend, modify, or terminate the Plan at any time. In the event the Plan is terminated, the trust assets, to the extent they exist, are to be applied first to reasonable and necessary expenses in connection with the termination; second, to provide benefits to participants and beneficiaries with respect to claims arising prior to the date of termination, or such earlier date as the trustees may designate; and the balance, if any, to provide benefits permitted by Internal Revenue Code Section 501(c)(9), as the Plan manager may determine.

**NOTE 8 - RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
**SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**As of December 31, 2011**

**SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)**  
**FEDERAL EIN# 26-4594868**  
**PLAN # 501**

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	Invesco AIM Premier Portfolio	Money market account	\$ 1,051,361	\$ 1,051,361
*	T. Rowe Price Summit Funds, Inc. Cash	Money market account	103,004	103,004
	Total money market accounts			<u>1,154,365</u>
*	T. Rowe Price New Income Fund	Mutual fund	5,953,143	6,005,592
*	T. Rowe Price Short Term Bond Fund	Mutual fund	5,826,807	5,781,286
*	T. Rowe Price Equity Inc. Fund	Mutual fund	1,296,034	1,315,791
*	T. Rowe Price Growth Stock Fund	Mutual fund	1,251,074	1,296,033
*	T. Rowe Price Spectrum Growth Fund	Mutual fund	327,299	299,010
*	T. Rowe Price Mid Cap Growth	Mutual fund	209,724	197,225
*	T. Rowe Price Mid Cap Value Fund	Mutual fund	205,826	195,718
*	T. Rowe Price New Horizons Fund Inc.	Mutual fund	130,270	124,068
*	T. Rowe Price Small Cap Value Fund	Mutual fund	121,618	120,940
	Total mutual funds			<u>15,335,663</u>
	Total assets available for benefits			<u>\$16,490,028</u>

\* Party-in-interest

**DELPHI SALARIED RETIREES ASSOCIATION BENEFIT TRUST**  
**SCHEDULE OF REPORTABLE TRANSACTIONS**  
**For the year ended December 31, 2011**

SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS  
 FEDERAL EIN# 26-4594868  
 PLAN # 501

(a) Identity of party involved	(b) Description of asset (include interest rate and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
Single transactions (Category (i)) that amount to more than 5% of the beginning value of Plan assets						
Invesco	AIM Premier Portfolio	\$ 4,665,519	\$ -	\$ -	\$ -	\$ -
Invesco	AIM Premier Portfolio	-	4,415,519	4,415,519	4,415,519	-
Invesco	AIM Premier Portfolio	675,024	-	-	-	-
Invesco	AIM Premier Portfolio	-	678,777	678,777	678,777	-
Invesco	AIM Premier Portfolio	1,685,588	-	-	-	-
Invesco	AIM Premier Portfolio	-	495,000	495,000	495,000	-
Invesco	AIM Premier Portfolio	-	550,000	550,000	550,000	-
Invesco	AIM Premier Portfolio	4,415,519	-	-	-	-
Invesco	AIM Premier Portfolio	-	1,027,000	1,027,000	1,027,000	-
Invesco	AIM Premier Portfolio	-	1,030,000	1,030,000	1,030,000	-
Invesco	AIM Premier Portfolio	-	1,030,000	1,030,000	1,030,000	-
Invesco	AIM Premier Portfolio	-	1,106,000	1,106,000	1,106,000	-
Invesco	AIM Premier Portfolio	-	426,000	426,000	426,000	-
Invesco	AIM Premier Portfolio	854,540	-	-	-	-
Invesco	AIM Premier Portfolio	-	756,000	756,000	756,000	-
Invesco	AIM Premier Portfolio	2,830,161	-	-	-	-
Invesco	AIM Premier Portfolio	-	2,660,000	2,660,000	2,660,000	-
T. Rowe Price	T. Rowe Price New Income Fund	400,000	-	-	-	-
T. Rowe Price	T. Rowe Price New Income Fund	400,000	-	-	-	-
T. Rowe Price	T. Rowe Price New Income Fund	400,000	-	-	-	-
T. Rowe Price	T. Rowe Price New Income Fund	425,000	-	-	-	-
T. Rowe Price	T. Rowe Price New Income Fund	1,000,000	-	-	-	-
T. Rowe Price	T. Rowe Price Short Term Bond Fund	400,000	-	-	-	-
T. Rowe Price	T. Rowe Price Short Term Bond Fund	400,000	-	-	-	-
T. Rowe Price	T. Rowe Price Short Term Bond Fund	400,000	-	-	-	-
T. Rowe Price	T. Rowe Price Short Term Bond Fund	425,000	-	-	-	-
T. Rowe Price	T. Rowe Price Short Term Bond Fund	1,000,000	-	-	-	-
Series of transactions (Category (iii)) with respect to securities of the same issue that amount, in the aggregate, to more than 5% of the beginning value of Plan assets						
Invesco	AIM Premier Portfolio					
	Purchases - 58 transactions	\$ 17,860,533	\$ -	\$ -	\$ -	\$ -
	Sales - 86 transactions	-	16,862,475	16,862,475	16,862,475	-
T. Rowe Price	T. Rowe Price New Income Fund					
	Purchases - 36 transactions	4,088,186	-	-	-	-
	Sales - 15 transactions	-	1,705,000	1,695,538	1,695,538	9,462
T. Rowe Price	T. Rowe Price Summit Funds Inc. Cash					
	Purchases - 8 transactions	200,004	-	-	-	-
	Sales - 7 transactions	-	413,000	413,000	413,000	-
T. Rowe Price	T. Rowe Price Short Term Bond Fund					
	Purchases - 31 transactions	3,956,797	-	-	-	-
	Sales - 6 transactions	-	625,000	626,913	626,913	(1,913)
T. Rowe Price	T. Rowe Price Growth Stock Fund					
	Purchases - 12 transactions	857,182	-	-	-	-
T. Rowe Price	T. Rowe Price Equity Inc. Fund					
	Purchases - 15 transactions	877,876	-	-	-	-